

Complaint

117 F.T.C.

IN THE MATTER OF

NU SKIN INTERNATIONAL, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3489. Complaint, April 1, 1994--Decision, April 1, 1994*

This consent order prohibits, among other things, the Utah-based marketing companies and their officers from making deceptive claims about their products or similar products, and requires them to possess competent and reliable scientific evidence to substantiate hair growth, wrinkle removal or burn claims, and performance, benefits, efficacy or safety claims of any food, drug, device or cosmetic they offer in the future. The respondents also are required to make certain disclosures regarding future earnings claims to prospective distributors and disgorge a total of \$1.225 million.

Appearances

For the Commission: *C. Steven Baker, Nicholas J. Franczyk and Mary E. Olson.*

For the respondents: *John D. Shuff, Robins, Kaplan, Miller & Ciresi, San Francisco, CA. David W. Scofield, Parsons, Davies, Kinghorn & Peters, Salt Lake City, UT. B. Ray Zoll, Zoll & Branch, Salt Lake City, UT.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Nu Skin International, Inc., CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent Nu Skin International, Inc. ("Nu Skin"), is a Utah corporation, with its principal office or place of

business at 75 West Center, Provo, Utah. Respondent Nu Skin, directly or indirectly, profits and benefits by and through the acts and practices of its distributors, including the acts and practices alleged in this complaint.

PAR. 2. Respondent CJM Inc., is a Utah corporation, with its principal office or place of business at 1565 East 3300 South, Salt Lake City, Utah. CJM, Inc. is the managing partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc, and CK&C, Inc. CJM, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 3. Respondent CST Management, Inc., is a Utah corporation, with its principal office or place of business at 11 Northridge Way, Sandy, Utah. CST Management, Inc. is a general partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc, and CK&C, Inc. CST Management, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 4. Respondent CK&C, Inc., is a Utah corporation, with its principal office or place of business at 3800 Sherwood Drive, Provo, Utah. CK&C, Inc. is a general partner of CCC Partnership, an entity comprised of CJM, Inc., CST Management, Inc., and CK&C, Inc. CK&C, Inc., directly or indirectly, profits and benefits by and through the acts and practices of Nu Skin distributors, including the acts and practices alleged in this complaint.

PAR. 5. Respondent Clara McDermott is a first-line distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CJM, Inc. Individually or in concert with others, she formulates, directs, controls or participates in acts and practices on behalf of CJM, Inc., including the acts and practices alleged in this complaint. She also receives commissions and other profits from the sales of Nu Skin products by herself and other distributors. Her principal office or place of business is 1565 East 3300 South, Salt Lake City, Utah.

PAR. 6. Respondent Craig Tillotson is a distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CST Management, Inc. Individually or in concert with others, he formulates, directs, controls or participates in acts and practices on behalf of CST

Management, Inc., including the acts and practices alleged in this complaint. He also receives commissions and other profits from the sales of Nu Skin products by himself and other distributors. His principal office or place of business is 11 Northridge Way, Sandy, Utah.

PAR. 7. Respondent Craig Bryson is a distributor of Nu Skin's products and distributorships, a member of the Nu Skin Distributor's Advisory Board, and an officer and director of CK&C, Inc. Individually or in concert with others, he formulates, directs, controls or participates in acts and practices on behalf of CK&C, Inc., including the acts and practices alleged in this complaint. He also receives commissions and other profits from the sales of Nu Skin products by himself and other distributors. His principal office or place of business is 3800 Sherwood Drive, Provo, Utah.

PAR. 8. Respondents are engaged in the advertising, promotion, offering for sale, sale, and distribution of numerous different products, including foods, drugs, devices, and cosmetics, designated as Facial Systems, Body Care Systems, Hair Care Systems, Interior Design Vitamins and Nutritional Supplements, and in the recruitment of distributors. The respondents have dominated, controlled, furnished the means, instrumentalities, services and facilities for, and/or condoned or approved the acts and practices referred to below.

PAR. 9. Respondents have developed a multilevel marketing plan to sell Nu Skin products through distributors to consumers. The marketing plan allows distributors to earn money by selling the products at a suggested mark-up to consumers. Distributors also recruit and train other individuals to be distributors in the respondents' marketing plan. Distributors earn money based on purchases from Nu Skin made by these recruits and others who they, in turn, recruit to be distributors.

PAR. 10. Respondents have established the marketing plan, and recruited distributors, for the purpose of promoting, selling, or otherwise distributing Nu Skin products and merchandise. Among other things, Nu Skin provides each new distributor with a sales kit that contains brochures, order forms, and other materials identifying Nu Skin, that are intended to be, and are, used by distributors in their sales efforts.

PAR. 11. Respondents have advertised, promoted, offered for sale, sold, and distributed: (a) Nutriol Hair Fitness Preparation ("Nutriol"), a topically applied non-prescription hair treatment

product; (b) Face Lift with Activator ("Face Lift"), a topically applied non-prescription facial treatment product; and (c) Celltrex, a topically applied non-prescription skin treatment product. These products are "drugs" and/or "cosmetics" within the meaning of Sections 12 and 15 of the Federal Trade Commission Act.

PAR. 12. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

NUTRIOL

PAR. 13. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Nutriol, including but not necessarily limited to the attached Exhibits A through I. These advertisements and promotional materials contain the following statements and depictions:

A. "...we have a product that has been shown to grow hair in two to three months ... and there are absolutely no side effects." (Exhibit A.)

B. "...corrects abnormal hair loss in a high percentage of users. New hair growth is also realized in a high percentage of users." (Exhibit B.)

C. "the 'treatment which cures baldness' ... 'baldness is conquered'..." (Exhibit B.)

D. "I have about 20 percent more hair now than I did before using Nutriol. Moreover, the rate of hair loss is noticeably less than before I started using Nutriol." (Exhibits B and E.)

E. "To avoid FDA red tape, Nutriol is being marketed as a 'hair fitness preparation' ... All information points to Nutriol as being the best remedy available for hair loss. Even the highly touted minoxidil -- Upjohn Pharmaceutical's proposed hair restoration drug -- seems to have a lower percentage of success..." (Exhibit C.)

F. "At last...effective products stimulate natural hair growth without harmful side effects.

* * *

The following is a comparative chart designed to help you review the benefits of the three proven effective natural hair growth products available on the market today.

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	NUTRIOL	FOLTENE	MINOXIDIL ROGAINE
Is it a Drug?	No	No	Yes
	* * *		
Success rate can be extended to 98% with professional help	Up to 90%, plus	Up to 63%	Up to 35%
Success rate at stopping hair loss ..." (Exhibit D.)	100%	75%	Up to 50%

G. "Does Nutriol work? Crinos claims the following figures for its users:

TOTAL regrowth	16%
PARTIAL regrowth	..	74%
NO effects	...	70%"

(Exhibit E.)

H. "There has been a major breakthrough in a product that drastically reduces hair loss, and in many cases, actually regenerates new growth and thickens a person's natural head of hair. This product [is] known as Nutriol" (Exhibit F.)

I. "... if a person is realizing abnormal hair loss and notices the hair thinning out, Nutriol really can help correct this problem and, in many cases, regenerate growth." (Exhibits E and F.)

J. "Stop Losing Hair ... Ask How" (Exhibit G.)

K. "Nutriol is a big time hair-growth product in Europe, where it is marketed as Foltene ... Does it work? Europeans and Nutriol's US distributors say it does." (Exhibit H.)

L. Side-by-side top or front photographs of the heads of various different individuals with the statements "before using Nutriol" appearing directly below one set of photographs and "after using Nutriol" appearing above the other set of photographs, and further contain the following statement: "In just seven months ... I am ... experiencing new growth all along my once receding hairline and in the crown area." (Exhibit I.)

PAR. 14. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph thirteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through I, respondents have represented, directly or by implication, that:

- A. Nutriol will stop, prevent, cure, relieve, reverse or reduce hair loss;
- B. Nutriol will promote the growth of hair where hair has already been lost;
- C. Nutriol is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss;
- D. Competent and reliable data show that Nutriol is effective in stopping hair loss and promoting hair growth.

PAR. 15. In truth and in fact:

- A. Nutriol will not stop, prevent, cure, relieve, reverse or reduce hair loss;
- B. Nutriol will not promote the growth of hair where hair has already been lost;
- C. Nutriol is not as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss; and
- D. Competent and reliable data do not show that Nutriol is effective in stopping hair loss and promoting hair growth.

Therefore, the representations set forth in paragraph fourteen were, and are, false and misleading.

PAR. 16. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph thirteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits A through I, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraph fourteen, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 17. In truth and in fact, at the time they made the representations set forth in paragraph fourteen, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph sixteen was, and is, false and misleading.

FACE LIFT

PAR. 18. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the

participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Face Lift, including but not necessarily limited to the attached Exhibits J through N. These advertisements and promotional materials contain the following statements and depictions:

A. "Their non-surgical face lift will actually remove wrinkles better than Retin-A." (Exhibit J.)

B. "Nu Skin's non-surgical face lift -- now this face lift is all natural. And it will actually pull wrinkles off your face better than Retin-A, with no negative side effects." (Exhibit K.)

C. "... a product that can roll ten years off their faces better than Retin-A." (Exhibit L.)

D. "It increases the skin's tone and elasticity ... We can illustrate the marketing power of a product like our non-surgical Face Lift by looking at the history of a drug called Retin-A ... The year it was announced that Retin-A was also effective in easing lines and wrinkles off the face, sales of Retin-A increased ... Now Retin-A is a dangerous drug with significant side effects, available by prescription only. Our product is all natural with absolutely no side effects. Clearly superior to anything in the market today." (Exhibit M.)

E. Side-by-side front photographs of the faces of an individual and further contain the following statement: "GET RID OF WRINKLES! ... NON-SURGICAL FACELIFT" (Exhibit N.)

PAR. 19. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph eighteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits J through N, respondents have represented, directly or by implication, that:

A. Face Lift will permanently remove facial wrinkles; and

B. Face Lift is as effective as, or more effective than, the prescription drug tretinoin (currently known as Retin-A) in the removal of facial wrinkles.

PAR. 20. In truth and in fact:

A. Face Lift will not permanently remove facial wrinkles; and

B. Face Lift is not as effective as, or more effective than, the prescription drug tretinoin (currently known as Retin-A) in the removal of facial wrinkles.

Therefore, the representations set forth in paragraph nineteen were, and are, false and misleading.

PAR. 21. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph eighteen, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits J through N, respondents have represented, directly or by implication, that at the time they made the representations set forth in paragraph nineteen, respondents possessed and relied upon a reasonable basis that substantiated such representations.

PAR. 22. In truth and in fact, at the time they made the representations set forth in paragraph nineteen, respondents did not possess and rely upon a reasonable basis that substantiated such representations. Therefore, the representation set forth in paragraph twenty-one was, and is, false and misleading.

CELLTREX

PAR. 23. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials for Celltrex, including but not necessarily limited to the attached Exhibit O. These materials prominently feature side-by-side photographs of the leg of an individual and further contain the following statement:

"I received second and third degree burns to my legs ... They [doctors] said that I would need skin grafting on my right leg ... [and] that without skin grafting, my leg would be disfigured, tight and scarred in color, and that I would not have full movement near my ankles because the skin would grow back tight. At that time, the grafting seem to be the only answer -- until I was introduced to [Celltrex] ... [Celltrex] has been tested on burn victims with success in healing tissue. I started to use the Celltrex ... They postponed all three surgeries because all the skin came back in less than 90 days. My skin feels normal in texture and where they told me I'd never have hair on my leg, I have hair."

PAR. 24. Through the use of the statement and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-three, including but not necessarily limited to the advertisement and promotional material attached as Exhibit O, respondents have represented, directly or by implication, that Celltrex will promote the healing of third degree burns.

PAR. 25. In truth and in fact Celltrex will not promote the healing of third degree burns. Therefore, the representation set forth in paragraph twenty-four was, and is, false and misleading.

PAR. 26. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-three, including but not necessarily limited to the advertisement and promotional material attached as Exhibit O, respondents have represented, directly or by implication, that at the time they made the representation set forth in paragraph twenty-four, respondents possessed and relied upon a reasonable basis that substantiated such representation.

PAR. 27. In truth and in fact, at the time they made the representation set forth in paragraph twenty-four, respondents did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph twenty-six was, and is, false and misleading.

EARNINGS CLAIMS

PAR. 28. In the course and conduct of their business, and for the purpose of inducing the purchase of the Nu Skin products and the participation of persons as distributors of Nu Skin products, the respondents and their representatives or agents have disseminated, have caused to be disseminated, or have condoned or approved the dissemination of advertisements and promotional materials regarding the sale of the Nu Skin products, the profitability of being a distributor for Nu Skin, and the recruitment of still additional distributors, including, but not necessarily limited to the attached Exhibits M, P, Q, and R. These advertisements and promotional materials contain the following statements:

A. "\$14,000 a month ... \$168,000 a year ... a lot of other people are doing it right now." (Exhibit M.)

B. "... on a part time basis [earn] a monthly net of \$7168 ... that's \$85,000 a year." (Exhibit M.)

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C. "If you're not earning \$10,000 a month or more We Need To Talk!" (Exhibit P.)

D. "... be one of the first 25 people I will help get earning well over \$100,000 in the next 12-24 months." (Exhibit Q.)

E. "The people we start working with locally will earn in excess of \$60,000 - \$80,000 their first year without jeopardizing their present income." (Exhibit R.)

F. "Sales Organization Growth Duplication

5	X	5	X	5	X	5	X	5
1 Mo.	2 Mo.	3 Mo.	4 Mo.	5 Mo.				
5	25	125	625	3125				

4000 Salespeople

Worst Case Attrition

75% (4000 X .25) = 1000

Remaining 1000

Worst Case Sales

\$100/Mo. X 1000 Sales People = \$100,000 Volume

14% Commission X \$100,000 Volume = \$14,000/Mo.

\$14,000 Per Month

\$168,000 Per Year"

(Exhibit M.)

PAR. 29. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-eight, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits M, P, Q, and R, respondents have represented, directly or by implication, that the amount of money represented by these statements is representative, or typical, of what individuals who become Nu Skin distributors will generally achieve on a monthly or annual basis.

PAR. 30. In truth and in fact, the amount of money represented by these statements and depictions is not representative, or typical, of what individuals who become Nu Skin distributors will generally achieve on a monthly or annual basis. Therefore, the representation set forth in paragraph twenty-nine was, and is, false and misleading.

PAR. 31. Through the use of the statements and depictions contained in the advertisements and promotional materials referred to in paragraph twenty-eight, including but not necessarily limited to the advertisements and promotional materials attached as Exhibits M, P, Q, and R, respondents have represented, directly or by implication, that at the time they made the representation set forth in paragraph twenty-nine, respondents possessed and relied upon a reasonable basis that substantiated such representation.

PAR. 32. In truth and in fact, at the time they made the representation set forth in paragraph twenty-nine, respondents did not possess and rely upon a reasonable basis that substantiated such representation. Therefore, the representation set forth in paragraph thirty-one was, and is, false and misleading.

PAR. 33. In the advertising, promotion, offering for sale, and sale of distributorships, respondents have represented that Nu Skin distributors can reasonably expect to earn substantial sums of money. Respondents have failed to disclose that only a very small percentage of distributors have earned more than a small monthly income. These facts would be material to consumers in their decision to become distributors. The failure to disclose these facts, in light of the representations made, was, and is, a deceptive practice.

PAR. 34. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices and the making of false advertisements in or affecting commerce in violation of Sections 5(a) and 12 of the Federal Trade Commission Act.

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EXHIBIT A

The Bottom Line/Dan Dorfman

A HAIR-RAISING

EXHIBIT

...the product is not from Upjohn, whose minoxidil is thought to be at least a year away from approval by the Food and Drug Administration for use as a hair-growth product. Nor is it from American Cyanamid, which is also working on a hair-grower. Rather, it's from an Italian company, Crinos International. The product, a lotion called Nutriol, has been sold quietly in the United States since November. (It is a slightly revised version of Foltene, a lotion that the company brought out four years ago and markets in nine European countries, Canada, and Kuwait.)

You probably haven't heard about Nutriol. But you will: The impending sales blitz is part of a concerted effort to beat Upjohn to the punch and capitalize on a multi-billion-dollar market that includes some 30 million men and 20 million women in the U.S. who suffer from baldness or some hair loss.

Any product that claims to grow hair is regarded as a drug and cannot be sold without approval from the FDA, and that agency has not yet approved any hair-growing product. Nutriol, however, is being sold as a cosmetic—a "hair fitness preparation"—and therefore requires no approval from the FDA.

This product is not cheap. Each Nutriol package contains twelve vials of solution. First you apply the contents of one vial to your scalp every other day for 48 days—one distributor calls this "the attack phase." (Two packages will take you through this phase.) Then you follow up with a refresher—a treatment one to three times a week for the next six months. Then it's back to "the attack phase" for another 48 days. A year's treatment should run, depending on how many times a week you use it, between \$400 and \$700 at the suggested retail price—\$49.95 a box. (Some people are selling the lotion for as much as \$75 a box; it wholesales for \$34.97.)

There are no hair-growing claims on the twelve-bottle box of solution. So who's telling people it grows hair? The public, that's who. And who's selling the stuff? The public. Nutriol isn't sold in stores; it's sold through what's called

multilevel marketing. A "distributor" buys the product wholesale, directly from the company, and then resells it. The big bucks are made by getting new buyers to sign up with the company and having them, in turn, solicit other new buyers.

Let's say, for example, that Ionn encourages Heien to buy Nutriol. He gets a percentage of all sales she generates, either directly or indirectly, by bringing other people into the program. It's like building your own sales force, from whom you derive a commission on every sale.

Is the power of Nutriol just hype, or does the product actually make hair grow? (No one claims, by the way, that it cures total baldness.) And what about the investment implications for American Cyanamid and especially Upjohn? Upjohn's stock, based on the hair-growing potential of minoxidil, shot up from 70½ to 133½ last year, a gain of over 90 percent. The prospect of any serious rival to minoxidil could have an extremely negative effect on Upjohn shares.

Here's Nutriol's background: Crinos, based in Como, Italy, is part of Fincrinco, a 59-year-old holding company in Milan with annual sales of about \$70 million. About 70 percent of those sales come from pharmaceuticals; the remaining 30 percent come from hair treatments (mostly the Foltene lotion). Crinos has given Nu Skin International, Inc., a privately held company in Provo, Utah, the exclusive rights to sell Nutriol in the U.S. for the next five years.

Crinos's marketing director, Antonio Caso, told me in a telephone interview that the philosophy of health of a number of countries—including France, Italy, and Greece—have given the company their approval for the marketing of Foltene as a product that stops hair loss and stimulates hair growth. He says this approval was based on nine clinical studies Crinos sponsored between 1981 and 1984. They involved some 300 men and women and lasted about four months each.

Foltene's active ingredients are complex organic substances extracted from animal tissues. These substances, called chondrocarides, are said to be rich in polysaccharides—complex carbohydrates that are claimed to accelerate hair growth.

Caso made some exuberant claims about Foltene, which, he told me, has repeatedly spurred hair regrowth in two to three months. He described the product as somewhat more effective for women than for men. According to Caso, participants in the Foltene studies showed regrowth of fine hair (versus thick or normal hair) in 70 percent of the cases. Eleven percent showed partial regrowth of normal hair; total regrowth of normal hair, he said, was experienced by another 11 percent. For the remaining 8 percent, the treatment was a failure.

"We don't want to promise the moon," Caso told me. "But we have a product which has been shown to grow hair in two to three months... and there are absolutely no side effects."

NUTRIOL

DOES IT OR DOESN'T IT? Is the claim hype, or does Nutriol really hair grow?

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EXHIBIT B



Hair

Industry News

Newsletter

Testimonial on Hair Growth with Nutriol

By David K. Brown

David K. Brown is an independent marketing consultant in Salt Lake City, Utah. He holds BS and MBA degrees from the University of Utah. Brown spent 17 years in the pharmaceutical industry before starting his own company. His address is 2193 E. 10260 S., Sandy, Utah 84092 if you would like additional information.

What about this relatively new product "Nutriol"? Does it offer an alternative to the highly discussed Minoxidil or is it just another vision of hope thrust upon those who seek an answer to their diminishing supply of hair?

All the literature relating to Nutriol and all communications issued by Nuskin International, the distributor of the product in the United States, carefully describe the product as a cosmetic with attendant cosmetic benefits. Nothing is said by Nuskin about stopping hair loss or the encouragement of new hair growth. Where such claims do surface, however, is when one finds a well-used piece of literature from the Italian manufacturer of the product, Crinos Industrie Farmacobiologica, S.P.A.

This literature is filled with summaries of controlled studies accomplished by European Medical personnel. The materials present a product that if used correctly for the period of time noted in the studies cited, corrects abnormal hair loss in a high percentage of users. New hair growth is also realized in a high percentage of users.

The most common approach by their experts has been to review the list of ingredients in Nutriol and comment that they don't see anything special in the list. While understandable, that's their mistake. It's understandable because it is only in the scientific research community that the significance of polysaccharides to active hair growth is discussed.

It has been known and well established since the 1940s that the presence of high concentrations of polysaccharides in the papilla (the connective tissue at the hair root) was correlated with the Anagen Phase of hair growth.

It was not until Crinos developed a unique manufacturing process that extracted portions of several polysaccharide molecules, creating a new and different molecule that such a molecule was available in a small enough form to be absorbed by the papilla when applied topically. This process has been patented throughout the free world. Thus, Nutriol is different from any other product with a polysaccharide ingredient.

Other ingredients in the form of 51 vitamin and amino acids that are considered as essential nutrients to healthy hair also were added to the Nutriol formula. Certainly one can only conclude as the authors of previous articles on Nutriol have done: they won't hurt the consumer.

Yes, Nutriol is a cosmetic in the United States and is sold without the claims offered in other countries in the world. The question to be answered: Does it work?

I answer with an unqualified "Yes!" I have about 20 percent more hair now than I did before using Nutriol! Moreover, the rate of hair loss is noticeably less than before I started using Nutriol. I know the product works.



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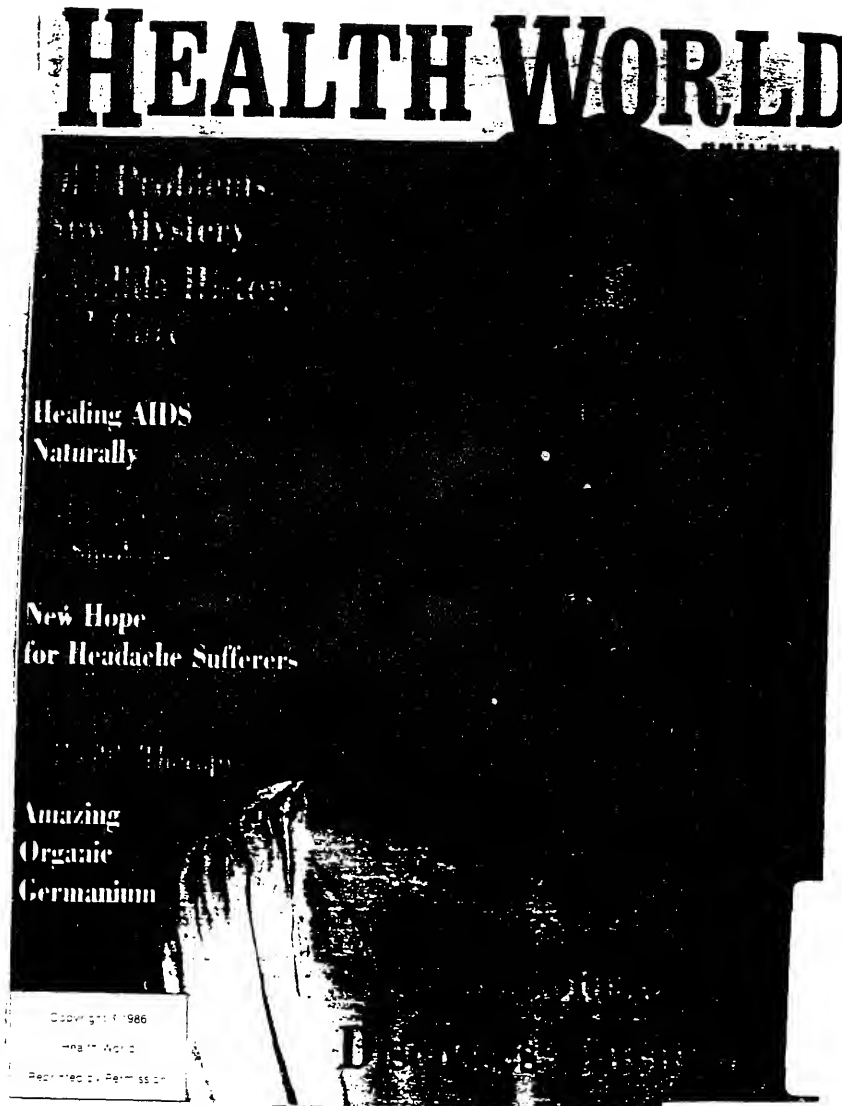
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Hair... When More Is Better

Natural Remedy for Hair Loss and Regeneration

By Bob Jimenez

Dr. Paolo Airala in his book *Stop Hair Loss* came to the conclusion that "in most cases the loss of hair and resultant baldness is caused by impaired blood supply to the hair roots." Until recently, the only holistic solutions to counteract hair loss were based on increasing the blood flow and/or the supply of nutrients feeding the hair follicles. Techniques such as massage, slant boards, and nutritional supplementation have all met with small success in dealing with the problem, but

for the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle, bypassing the blood supply.

In order to understand how this new approach works, it's necessary to understand a bit of background information on hair growth in general. All hair goes through three cycles—*anagen*, *catagen* and *telogen*. The *anagen* phase is when the hair bulb is actively forming new hair. The *catagen* phase is

when the hair bulb is producing hair in minimal levels. The *telogen* phase is where the hair bulb has ceased production and the hair shaft falls out. The cycles then start again to be repeated over a two to six year period. Published dermatological studies indicate that when the hair is in the *anagen* phase—most active growth stage—there is a concentration of a complex carbohydrate called mucopolysaccharides in the vicinity of the hair bulb. When the hair is in the *telogen* phase, there is a reduced quantity of these mucopolysaccharides.

Crinos Laboratories—a renowned 40-year-old Italian pharmaceutical company—took note of these facts and developed a patented process to break down the molecular structure of these mucopolysaccharides so that the molecules were small enough to penetrate the microscopic space between the hair and the follicle and thereby nourish the hair bulb directly from a topical application. They have been selling their formulation in Europe with astounding success and "in controlled tests with large numbers of patients, both male and female, it was shown that regular

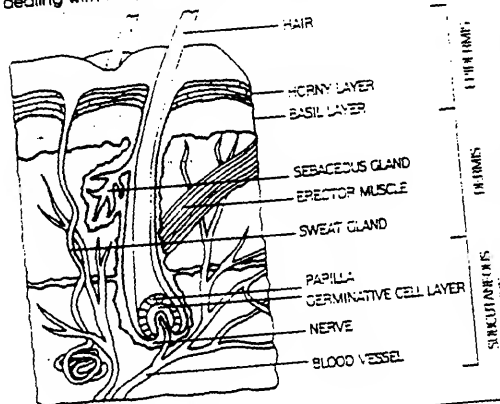


EXHIBIT C

Treatment produced total regrowth of lost hair in 46% of the cases, partial regrowth of thinness or bald patches in 74% of the cases, while only 10% experienced no effect whatsoever. In addition to hair growth, the clinical studies indicated success with stopping further hair loss, reduction of dandruff, reduction of seborrhea, and thickening of existing hair. In France, 60% of product users are women who use the product for its thickening effect, to give their hair more body and fullness.

Due to the authenticity of these clinical studies, the French Ministry of Health issued a visa authorizing the product to be sold with the claim, "Treatment for the loss of hair. Stimulates and aids the regrowth of hair" (visa PP 323 M 485). This was the first time such a claim had been granted in France. Articles in the French press have called it "The treatment which cures baldness," "Almost a miracle," and "Baldness is conquered." The product has taken over 75% of the hair growth market in Europe and has become "The third largest selling product in all categories of goods sold in French pharmacies, next to toothpaste and the L'Oreal skin care line." This is after just 5 years on the market!

Those of us who are ready to jump on the next plane to Paris needn't bother. (Unless you want to visit the Eiffel Tower). An improved version of the European product was introduced to the American marketplace last November, under the name of Nutrial. Nutrial is being mar-



keted by Utah-based Nu Skin International on a multilevel marketing basis much like Herbalife products. To avoid FDA red tape, Nutrial is being marketed as a "hair fitness preparation" with claims such as "It conditions the scalp, creating an ideal environment for healthy hair" but word of mouth is running rampant on the benefits of Nutrial and Nu Skin's sales are skyrocketing.

All information points to Nutrial as being the best remedy available for hair loss. Even the highly touted minoxidil—Upjohn Pharmaceutical's proposed hair restoration drug—seems to have a lower percentage of successes than the European clinical studies, as well as having potential side effects.

From a cost standpoint, surgical implants can run thousands of dollars and minoxidil treatment can cost upwards of \$2000 dollars. Nutrial comes in

at the highly competitive annual cost of \$400 to \$600.

If the European response can be any indication, we can expect Nutrial to become a household word over the next couple of years. If Dr. Aircid were still alive to write a revised version of his book on hair loss, we expect he would concur with our conclusions as to the amazing benefits of product.



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NUTRIOL News All Across America

Washington's heads of state are apparently curing balds with New Yorkers who have already embraced the new product in the hopes of having a hair-raising experience.

Kim Upton
Boston Herald, April '86

There are some big-name politicians and cowboys using this. There have been significant results with no adverse reactions.

Washington Magazine
March '86

Two other anti-baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness prescription, and has garnered a cult following in New York, Texas and California.

Philadelphia Magazine
May '86

The incoarsenamide (hydrolyzed mucopolysaccharide) molecule is small enough to penetrate into the follicle, but not through the follicle lining.

Muscle Fitness Magazine

If a person is resisting abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth.

Lenny Simon
Hair International News

For the first time there is a revolutionary new approach to dealing with hair loss that can provide humans directly to the follicle ... All information points to NUTRIOL as being the best remedy available for hair loss ... We can expect NUTRIOL to become a household word over the next couple of years.

Health World Magazine
Winter 86-87 Edition

I have about 20 percent more hair now than I did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works.

David K. Brown
Hair Industry News

Yes, it can stimulate hair regrowth.

Dr. Nicholas Bruno
Providence, R.I. Journal

Many users have been satisfied with the results.

ROBB Report
January 1986

With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes, NUTRIOL is being used by both men and women with some outstanding results being reported and is setting up a lot of excitement in the U.S.

Park Cities News
Dallas, Texas
October '86

The appeal of a "natural" product as opposed to a synthetic drug is a strong selling point ... A European hair fitness prescription called NUTRIOL seems to be taking the lead ... In spite of its newcomer status, NUTRIOL seems to be generating enthusiasm here just as it has in Europe.

Sports Fitness Magazine
October '86

NUTRIOL rejuvenates the scalp ... usually, you may experience healthier, thicker, more vigorous hair growth for both men and women.

American Salon

For additional information contact your NU SKIN representative

EXHIBIT D

Ask your Professional how you can have a 100% guaranteed successful program.

NUTRIOL improves upon already proven effective Fortene by coupling its strength plus adding 51 Amino acids and vitamins.

NUTRIOL is the most potent hair care product in the world.

NUTRIOL is a natural organic compound, not a drug.

NUTRIOL provides the support of professional, trained consultants.

NUTRIOL produces better, longer lasting results than any other product on the market.

NUTRIOL is packaged in safe, non-breakable plastic bottles.

NUTRIOL does not require a prescription, or special user precautions.

NUTRIOL is helpful for dandruff, psoriasis and seborrhea.

NUTRIOL - the Affordable - Natural - Potent treatment for thinning hair.

There are two Nutriol payment options for your selection.

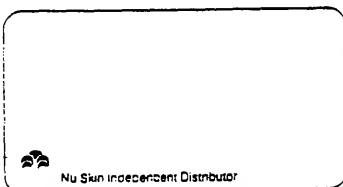
1. REGULAR PLAN - An every-other-day treatment plan. Four boxes of Nutriol, one bottle of shampoo and one bottle of conditioner.

2. ACCELERATED PLAN - For quicker results, an every-day treatment plan. Eight boxes of Nutriol, 12 applications per box, one bottle of shampoo and one bottle of conditioner.

Make your appointment with a Hair Care Professional today!

Hair Care Professional representatives are independent business people. Most will process your order, set a consultation time and provide you with Nutriol during your treatment period. Because of the demand for this product, some distributors have limited inventory. However, you may make your appointment with confidence and expect fast service.

Your Hair Care Professional is qualified to help you determine whether or not you are a viable candidate for Nutriol treatments.



Scientific breakthrough!

At last...effective products stimulate natural hair growth without harmful side effects!

Timeliness is critical to stop abnormal hair loss. Early treatment saves the follicle!



Please read this booklet carefully. It will tell you more...

- about hair health and hair loss.
- about the exciting breakthroughs, and three products with special penetration and nutritional values.
- about the history and effectiveness of natural formula Nutriol.
- about the important role of specially trained Hair Care Professionals.
- about acclaim from physicians, research scientists, hair care industry leaders and many others around the world.

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Acclaim from People who Know About Nutriol

"An improved version of the European product Foltenel was introduced to the American marketplace last November under the name of Nutriol."

Health World Magazine

"At the moment, a European (based) hair fitness preparation called Nutriol seems to be taking the lead."

Sports Fitness Magazine

"I have about 23 percent more hair now than I did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works."

David K. Brown**Hair Industry News**

"If a person is realizing abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth."

Lenny Simon**Hair International News**

"For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle.... All information points to NUTRIOL as being the best remedy available for hair loss.... We can expect NUTRIOL to become a household word over the next couple of years."

Health World Magazine

"NUTRIOL rejuvenates the scalp.... Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women."

American Salon

"The tricosaccharide (hydrolyzed mucopolysaccharide) molecule is small enough to penetrate into the

follicle, but not through the follicle lining.

Muscle Fitness Magazine

"Washington's heads of state are apparently joining ranks with New Yorkers who have already embraced the new product in the hopes of having a hair-raising experience."

Kim Upton**Boston Herald**

"Two other anti-baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness preparation, and has garnered a cult following in New York, Florida, and California."

Philadelphia Magazine

"There have been significant results with no adverse reactions."

Washington Magazine

"A New product called NUTRIOL may be coming to the rescue of the balding brigade.... Word of mouth has it that NUTRIOL works."

Trish Clenney Bro...**San Diego Magazine**

"With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes. NUTRIOL is being used by both men and women with some outstanding results being

EXHIBIT D

reported and is stirring up a lot of excitement in the U.S.”

Park Cities News

Dallas, Texas

“You probably haven’t heard about NUTRIOL. But you will.... Who’s telling people it grows hair? The public, that’s who.”

Dan Dortm...

New York Magazine

About Your Professional Hair Care Representative

Hair Care Professional is a name for the trained professional providing this information. The special information about the newest breakthroughs can make the use of these special products even more effective. It is their policy to provide you with the information you need to choose the hair care product that is best for you. Treatment results vary widely, depending a great deal on your body’s response. We value your business. We do not want to lose you as a customer because your body did not respond as another’s and, your results were not as great as you anticipated. We attempt to place a desire to serve our customers above a profit motive.

Professional supervision includes review of records, evaluation of progress, introduction to the latest, most advanced techniques, recommendations for future treatment and development of a maintenance plan once maximum restoration has been established.

**Hair Care Professional Means
Qualified People - Quality
Products - Personal Care.**

Our confidence is strong that Nutriol performs as explained in this brochure....

That cost of treatment is below other effective follicle treatment medications....

That important factors change throughout treatment program and supervision of a trained, informed NuSkin professional is important.

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It is noted: Over 30% of the world's medical breakthroughs have occurred in the short span of the past two decades. Often, discoveries in one area of science help to make the better for us all, 300 important information for use in other areas. Such is the case with breakthroughs in the development of new hair care products that stimulate natural hair growth.

It was hair growth on patients receiving new blood pressure medications that led to development of the first effective hair growth product in the United States. The discovery called attention to the effectiveness of additional products available in European markets.

For the first time in history, because of these products and our improved understanding we can now, for the first time, stimulate hair growth on the heads of men and women with varying degrees of thinning hair and baldness. Application to a full head leads to fuller, healthier hair for both men and women, even when that seemed impossible in the past.

Exciting Breakthroughs and Products that Penetrate and Provide Nutrition

Two respected pharmaceutical firms make it possible now. Cinos Pharmaceuticals of Italy is the European source for effective natural hair restoration products. This international organization, established as a source of high blood pressure and heart medications, is committed to use of biological pharmaceutical compounds found in the body, rather than drugs. Organic compounds that duplicate body chemistry are readily accepted by the body and eliminate side effects found in many drugs. Cinos, established in 1947, is a multi-line pharmaceutical firm. Its commitment to natural healing guides production of its comprehensive and popular line of hair health products.

Cinos is responsible for a landmark breakthrough in development of an effective hair restoration treatment with its natural fractionated polysaccharides. These small molecules of water soluble carbohydrates remove sebum plugs, penetrate the hair follicle and provide external nourishment for the hair root. They do not bleed through the follicle into the blood stream or surrounding tissue. That is why it is identified as a "topical conditioning agent," rather than a medication. In combination with a vasodilator the Cinos products supply blood, nutrients and oxygen to the hair follicle to assure the healthiest possible surroundings for the hair bulb.

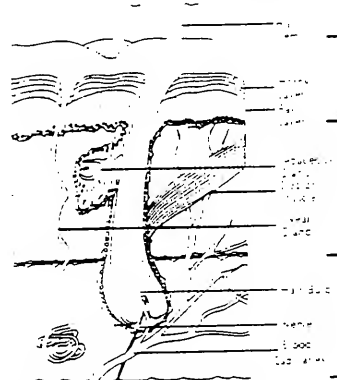
The first generation hair product marketed by Cinos is "Folitec." It has been distributed in Europe for over five years. Folitec was released in the United States in 1987, first as a mail order product and then through retail department store outlets. A recent test of the product in France indicates that 9% of the participants experienced total hair regrowth, 61% had partial regrowth and 30% showed no effect.

Nutrol is the second Cinos hair restoration product to emerge in this country. Tests indicate a much greater response to Nutrol treatment and indi-

cate it is the most effective product of its kind on the market today. A "first cousin" to Folitec, Nutrol has doubled the strength of the original product. PLUS B vitamins and amino acids which provide extra nutrition. Nutrol penetrates outer skin layers and permeates the pore. A full ninety percent of the participants in a test of Nutrol experienced some degree of success with the product. Nutrol is available in the United States only through NuSkin, a marketing network of men and women who have completed important training.

Even greater success has been reported with Nutrol treatments supervised by trained *Hair Care Professional* representatives. In fact, 98% of our clients treated under the supervision of our representatives have experienced some degree of success.

Loniten, a vasodilator, is an FDA approved high blood pressure medication developed by Upjohn Pharmaceutical Company in the United States. Patients receiving this treatment, it was noted, grew extra hair. Upjohn isolated minoxidil, the medication's active ingredient, and transformed it into liquid form so it could be rubbed on the scalp. One third of the people who volunteered to test minoxidil showed enough hair that it was "visible across the room." Another third grew some hair and the balance maintained the same amount of hair. Because of its intensity Minoxidil is by prescription only. A highly reduced minoxidil product, "Rogaine," may soon be distributed over the counter at pharmacies. Minoxidil is an effective vasodilator that produces varying amounts of hair.



Cross-Section of the Hair Follicle

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About Hair Health and Hair Loss

The damage is combated by treating the problem before the follicle becomes dormant. It involves opening a sebum plug and improving blood circulation through a vasodilator, a stimulant that dilates blood vessels. Unfortunately, this is not a cure. The body can never restore hair generating processes by itself. Modern technology makes it possible to manually and surgically provide the cleansing and nutrition your hair needs to remain healthy. Once a follicle is dead, however, it cannot be restored.

The root of the problem, and the solutions to hair loss rests in a follicle, a tiny pocket inside the skin. Once a follicle is dead, it cannot be restored. A review of how a follicle functions, as well as how it interacts with its environment, is helpful in understanding new treatment programs, and evaluating their effectiveness.

A follicle contains and nurtures the only living part of a hair, its bulb. At any given time a hair bulb may be in its Anagen Phase, when it actively forms new hair; its Catagen Phase, as it produces hair at minimal levels; or its Telogen Phase when it has ceased production. In the Telogen Phase the hair shaft falls out. Each hair bulb may pass through these phases a limited number of times in its life. In fact, the average hair bulb completes this three phase cycle approximately once every five years. In a healthy system hair falls out at the rate of approximately thirty-five strands a day.

A follicle nurtures a hair bulb by permitting it to extract life sustaining nutrients and oxygen from the blood stream as well as through the skin. A gland in the follicle secretes sebum which lubricates the skin, hair and scalp.

A number of factors may disrupt the flow of blood and the production of sebum and destroy the hair bulb. These include diet, stress, disease, heredity and genetics, environment, pregnancy and excessive bleaching, coloring, curling, drying and styling. Within the follicle an over or under secretion of sebum is combined with the hormone Androgen. It forms a plug at the skin level that blocks the oxygen supply and develops a concretion which eventually kills the follicle. The flow of blood to the scalp may slow as a result of the natural aging process thus depriving the follicle of additional oxygen and vital nutrients. Over time the hair becomes thinner, reducing in diameter until it falls out.

Until recently, little could be done to reverse the process. Now effective treatment that penetrates the follicles is available to help millions of people with scalp disorders, thinning or damaged hair. Use on a full head of hair leads to longer, thicker, fuller hair, even when that has been impossible in the past.

Other available products are many hair and scalp cleansers that have gained marketing success. These include popular products such as The Helsinki Formula, Nexus, Vivagen, Forever Shampoo, Nutriplex and Flowm. These products have had some successes, but long term results are yet to be seen.

The following is a comparative chart designed to help you review the benefits of the three proven effective natural hair growth products available on the market today.

	NUTRIOL	FOLTENE	MINOXIDIL ROGANE
Is a Drug?	No	No	Yes
Manufacturer	Chemical	Chemical	Pharmacia Vasodilator
Policy for 100% (one- year) use	Complete restoration of hair	Complete restoration of hair	None
Policy for 50% (one- year) use	Complete restoration of hair	Complete restoration of hair	None
Success rate can be extended to 98% with pro- fessional help	Up to 90% plus	Up to 83%	Up to 35%
Success rate at stopping hair loss	100%	75%	Up to 50%
Does it dam- age healthy hair?	Absolutely not. Is beneficial to all hair, pro- motes thick and healthy hair	Same as Nutriol	Yes, if healthy hair is treated it has a tend- ency to become brittle and break off
Packaging	Twelve plastic bottles with unique pump-action removable cap	European packaging with ten hazardous glass bottles with breakaway tops	Ten vials per box, includes rubber gloves to avoid hair growth on hands
Application	Topically externally	Topically externally	Medication externally
Price	\$800 to \$800 per year	\$600 to \$600 per year	\$1200 to \$2000 per year
Training and Support	Complete back-up train- ing and educational program for distributors plus con- tinuous local motivation	None except for initial back- up	Minimal back- up educational program depends on pharmacy's support
Side effects	None, the same as Foltene	None, and in two years of use, has never had a lawsuit due to side effects	Has been known to an- nounce press- ure, erratic hair growth on o- ther parts of body
Will hair fall out if you stop using product?	Gradual return to same hair density as before	Same as Nutriol	Immediate regrowth hair will be thin- ner with a cast

As you can see, there are many decisions to make choosing a restorative hair product that's right for you.

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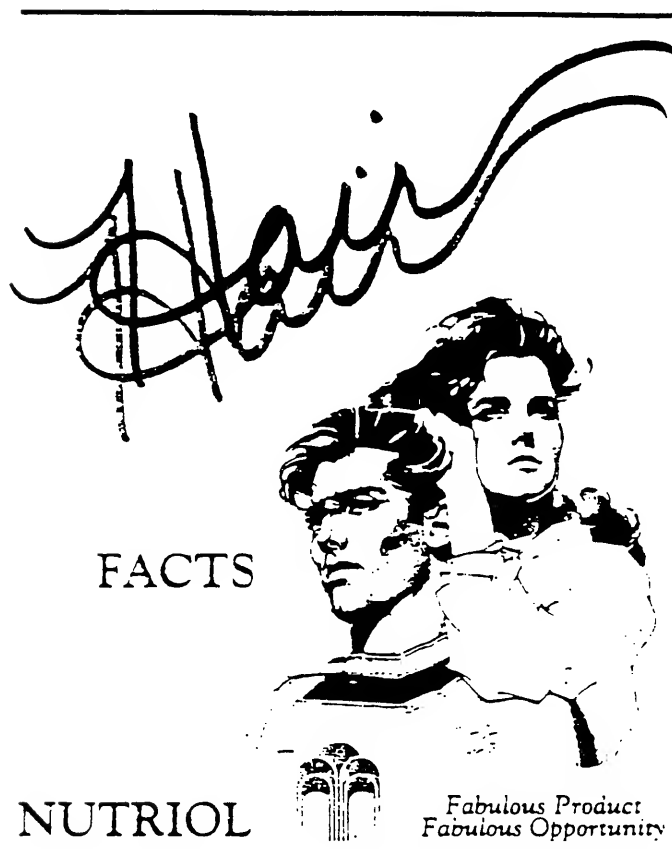


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TABLE OF CONTENTS

As you age, you most likely find that your hair is growing thinner, your nails lack luster and healthy growth, and your eyelashes are deprived of nutrition. Yes, your natural beauty fades, all caused basically by undernourishment.

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The Nu Skin Theory

From the time of Ponce DeLeon and his quest for the Fountain of Youth right up until today, man has searched for the means to preserve his youth -- even to turn back the hands of time.

In the last few years there have been several important scientific breakthroughs in the field of anti-aging. However, until recently these anti-aging "miracles" were available only to a wealthy few. Now expensive European formulas for hair fitness and skin cell rejuvenation are available from NuSkin at affordable prices.

In 1983, Nu Skin consulted with numerous chemists and manufacturers to investigate the possibility of formulating a skin and hair care product line that would meet their uncompromising standards. They were quickly informed that such an innovation would be contrary to current industry practices of emphasizing a single, beneficial ingredient, and proclaiming its value in large letters on the product labels.

Even the finest products, stressed the manufacturers, included no more than two or three beneficial ingredients. The NuSkin theory of including all of the available healthful substances while excluding the harmful elements was considered revolutionary.

NuSkin would not compromise. *They knew they could manufacture the ultimate line of skin and hair care products.* They realized consumers today are informed individuals who are concerned about the possible effects of chemicals and other ingredients in the products they use. NuSkin understood that this trend translated to a consumer demand for pure, wholesome, high-quality products. And so, they continued to pursue their original goal.

Because the Nu Skin philosophy was so innovative and original, they chose to promote and distribute their products through network marketing.

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They felt this marketing method would be the most successful way to inform customers of the unique NuSkin concept, and to assure the proper training of a superior sales force. The founders of NuSkin who possessed previous network marketing experience also felt this marketing method was the most efficient way to get their quality product into the hands of the public.

Summary ---

NuSkin is totally committed to producing the finest nutrition, skin and hair care products in the world. This is done by utilizing only proven beneficial ingredients, regardless of cost, and by eliminating any damaging substances. As a result, NuSkin has an unmatched line of personal care products.

As yet there is no way to
reverse the aging process---
but Nu Skin has taken a
giant step in that direction.
By regularly using Nu Skin
products you too will be
able to participate in the Nu
Skin "Secret of Youth."

In just one year, NuSkin
grew into a multi-million
dollar business. Today, Nu
Skin continues to grow and
expand with limitless career
opportunities.

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When you look at yourself in the mirror do you notice that your hair is thinning or that it is damaged and lifeless? Have you given up hope that you can change this situation? Until recently there wasn't much you would do. But now with the introduction of NUTRIOL, you have an opportunity to dramatically improve the condition and appearance of your hair.

NUTRIOL's history goes back to Europe, where in 1981 an Italian pharmaceutical company introduced a powerful hair fitness product. It quickly became a sensation across the entire continent, selling 1.2 million boxes in France alone. Not only was this product popular, but it worked! Clinical trials performed by a number of leading European dermatologists confirmed what people were seeing in their mirrors. As a result of those trials, the French Ministry of Health authorized the following claim for the product: "Treatment for the loss of hair, stimulates and aids the regrowth of hair."

Through exhaustive research, Nu Skin determined that this European hair fitness preparation had a definite place in their 'Secret of Youth' concept. However, Nu Skin was not satisfied to merely reintroduce the European formulation to the United States. Instead they teamed up with researchers to "upgrade" the European formula to their uncompromising standards. The result was NUTRIOL -- a vastly improved and more potent version of its European counterpart -- containing twice the amount of polysaccharides, which are the active ingredients identified as the major factor in hair growth. Nu Skin also improved the European formula with the addition of 51 amino acids, vitamins and nutrients specially packaged to be activated immediately prior to application to the scalp.

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This insures the highest possible level of potency.

Permeable Polysaccharide. One of the most exciting breakthroughs in hair and nail care is the production of permeable polysaccharides. These biological extracts are capable of stimulating the keratin synthesizing cells found in hair follicles and the base of fingernails. These cells are responsible for creating hair and nails. In their natural form, polysaccharides are too large to penetrate to these matrix cells. Only recently has a process been discovered in Europe to purify and fractionate polysaccharide molecules so that they may be absorbed. Nu Skin is the first to bring this important breakthrough to America. It is the presence of this active ingredient that makes Nu Skin's NUTRIOL so effective.

WHAT CAUSES THINNING HAIR?

There are many factors that contribute to hair loss. By examining the different reasons for excessive hair loss and damage, you can understand why NUTRIOL may dramatically improve your hair and scalp condition.

Inside the follicle is a sebaceous gland that secretes sebum into the hair and scalp. An under and over secretion of sebum and a malfunctioning microcirculation can cause dandruff, seborrhea, sebum plugs that kill the hair bulb, itchy scalp and psoriasis.

For some as yet unknown reason, the male hormone androgen -- found in both men and women -- has a blocking effect on circulation resulting in a reduction of nutrients reaching the hair root or papilla. Due to this, the size of the papilla becomes smaller, thus hair becomes thinner (adult hair changes to thin hair and then to "peach fuzz") until the follicle becomes non-functional yielding a dormant papilla void of hair.

DOES NUTRIOL WORK? READ ON...

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History of a Legend

After World War II, a man by the name of Dr. Faro in Italy had a simple concept regarding biological research because most diseases or abnormalities were caused by the malfunction of the individual biological system. He then reasoned, that if one could administer biological compounds similar to those required under normal conditions, one should be able to restore that individual system to its natural condition. So, in 1947, Dr. Faro established a company called Crinos, in order to research into the identification, extraction, and purification of biologically active principles. Since 1947, Crinos has become an internationally recognized leader in its field. Its net sales have reached over \$60,000,000.00 in 1985.

The original research carried out by Crinos has resulted in the development of various drugs that are effective and safe in the treatment of Arteriosclerosis, Thrombosis, and Ulcers among others. One of the active ingredients in the Arteriosclerotic drug is called Natural Polysaccharides. It has been taken orally in Europe since 1950. It is a scientific fact that there is a large amount of mucopolysaccharide activity around the hair bulb during the growth or *Anagen Phase* of hair. The Natural Polysaccharide molecules that were used in the Arteriosclerotic drugs were found to stimulate hair growth in test animals. They were also small enough to penetrate through the hair follicle and reach the papilla region of the hair, thus promoting nourishment for the papilla. Actual penetration to the Natural Polysaccharide molecules were demonstrated through Histofluorescein studies.

About 10 years ago, Crinos decided to develop a line of cosmetics based on their biological technologies. NUTRIOL's little brother Foltene was launched in Europe in 1981 using Natural Polysaccharides as its active ingredient.

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By 1982, it had won the award for the best new product introduction in Europe. It quickly became the number 1 product in its' category in all the introduced European countries. 1.2 Million boxes of product were sold in 1983 in France, with a 65% reorder rate demonstrating a high degree of consumer satisfaction. Clinical trials performed by a number of leading European dermatologists confirmed the efficacy of the product. In consequence the French Ministry of Health authorized the following claim for the product:

"...Treatment for the loss of hair, stimulates and aids the regrowth of hair."

Nu Skin International, Inc., has the exclusive contract to market "NUTRIOL" in the U.S.

A patent was issued to Crinos Industria, Italy on November 4, 1986. This patent is #1213522 - a Canadian patent.:

"It has now been surprisingly found that the combination of these substances with the previously considered compounds and which are the subject of the present invention, gives place to a composition which does not only act simultaneously on both causes leading [unhealthy hair] but does also show an unexpectedly greater activity with respect to that foreseeable from the sole sum of the single components."

"The composition powder is prepared by operating in an environment having moisture less than 40%; all the components are weighed in the order and the resulting mixture is charged in a ball wherein it is finely ground. The resulting powder is stored being sheltered from the moisture."

NUTRIOL is an advanced formula, and contains 51 amino acids and vitamins as well as twice the amount of polysaccharides.

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Scientific & Clinical Studies

NOTE: Nutriol is a vastly improved version of the original European counterpart called "Foltene"

Trichosaccharides - Origin of Discovery

Trichosaccharides - (Hydrolyzed Mucopolysaccharides), represent one of Crinos Pharmaceutical's first discoveries. It was originally used and is still therapeutically valid in the treatment of arteriosclerotic diseases.

Trichosaccharides - Definition

Tissular, Polyanionic Glycopeptidic Complex.

Extraction.

Trichosaccharides are extracts of biological origin, obtained from mammalian conjunctive tissue.

Chemical Structure.

Chemically, it consists of natural sulfomucopolysaccharide (Heparin, Heparitin-Sulphate, Dermatan Sulphate, Chondroitin-Sulphate, ABC, Hyaluronic Acid, and Nucleotidic Polymers in combination with Glycopeptidic chains).

Trichosaccharides and the Hair.

The correlation between tissue mucopolysaccharides (AMPS) with the hair growth cycle is now well known. Qualified studies have been performed on this matter. The considerable quantitative fluctuations of mucopolysaccharides in the skin apparently relate to the stages of the hair growth cycle. All fractions of mucopolysaccharides behave similarly: high on days of new formation (Anagen Phase), they drop

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hair differentiation (Catagen Phase). Transition and Rest (Telogen Phase) The greatest shifts in AMPS material are seen during the first week of the Anagen Phase.

anagen, catagen and telogen.

regrowth occurs when there is a diminution and/or alteration of morphosaccharides (SMPS or GAGS) in the connective tissue. This leads to a morphological alteration of the connective tissue and causes impairment of microcirculation, lipids disturbance, tissue fibrosis, and finally, death of the follicle.

anode for D.T. treatment

1. To bring SMPS in contact with the subcutaneous tissue of the scalp. 2. To increase the sulphur content to hair follicle and promote keratin synthesis. 3. To improve impaired microcirculation.

oncology.

oncology studies of both systemic and local tolerance on animals and human beings, have demonstrated the innocuity of the formula.

immunology

The active properties of Trichosaccarides, that is to say the stimulation of hair growth, were based on animals. It was observed that there is a considerable regrowth of hair on the area of the skin which had been shaved.

clinical trials.

Several extensive studies have been performed and are readily available.

Clinical and Laboratory Tests:

1. Catagenous Smoothing Test - Dr. Pons, Saint Louis Hospital, Paris, October 1981.

2. Local Tolerant Test on Rabbits - IRIAD (Institut Français de Recherches et Essais Biologiques), December 1980.

Chemical Studies:

1. Dr. Borhanata, Saint Louis Hospital, Paris, December 1982.

2. Dr. Hickey, July 1980.

3. Prof. Agache, Assoc. pour le Développement de la Recherche Dermatologique, Centre Hospitalier, Besancon Cedex, March 1984.

4. Trichosaccarides - Toxicological Study - Milan University, Faculty of Science Farmacologia Applicata, Prof. E. Piccinini, June 1984.

5. Essai Ecologico Della Pelle: Di Consigli Trattati per Via Dermale per 30 Giorni con "Trichosaccaride", Istituto di Ricerche Biomediche "Antonio Marvet", March 1980.

6. Miala, Meggetto, Giannuzzi, Hair Growth on Rabbits' skin, February 1981.

7. Gazani, Maetti, Trichogenetic Stimulating Activity on Rabbits, August 1983.

8. Gazani, Venier, Experience on Trichogenetic Factors, March 1983.

9. Radelli Ravellik, Cavonago, Negri, Trials on Man Milan University, IRIAD Dermatological Clinic.

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Nutril -- Minoxidil -- Foltene

Foltene is a trademark of Nutril.

Chances are you've already heard of the new "Miracle" baldness cures that have hit the market in the past year. Here's the number one of these such cures:

MINOXIDIL --

Here's what Uppidan learned from its year long study...

1. Minoxidil seems to have no side effects.
2. It will grow hair.
3. It won't mean hair on your back.

"It won't work on a patient who doesn't even have fuzz," says Yale's Dr. Ronald Savin, who directed testing of the drug in New Haven, Conn. "It won't grow hair on a bald head." Generally, the longer you've been bald and the less hair you have left, the less well Minoxidil seems to work.

It will not grow hair from falling out. Minoxidil worked best on those subjects who hadn't lost much hair, who were just starting to go bald. This seems to mean that the time to do something about the problem is when you first notice it.

It won't make a bald spot on the top of your head. Stop the Minoxidil applications and your new hair will hit the floor with a bang. Once you start using Minoxidil, you're a user for life. It's like insulin and crack.

A drug that cures baldness, and that you have to keep taking forever. Sounds like a manufacturer's dream. And, in fact, Uppidan is looking for an increase of as much as 25 percent in its \$2 billion annual sales. "Minoxidil represents the largest potential product in pharmaceutical history," says one industry analyst. "It will be a billion dollar product."

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RESULTS

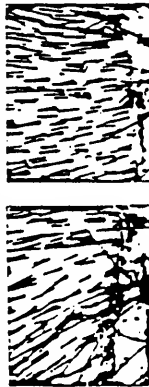
After a month of application:

Hair Weight:

There was an increase in the weight of the hairs on the treated side (average weight 6.0 mg) compared to the untreated side (average weight 3.4 mg) but this difference is not statistically significant.

Number of Functioning Hair Bulbs:

There were statistically more functioning hair bulbs on the treated side than on the control side.



Length of Hair:

The length was statistically greater ($p < 0.01$) on the treated side.



CONCLUSIONS

After one month of treatment:

The number of functioning hair bulbs is greater than on the untreated side. The length of the hair is greater than on the untreated side.

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EXHIBIT E

FOOTNOTES
 Minnetonka, Inc., is the company that brings you Soft Soap and Obsession perfume. Remember those better than hot Obsession ads in all the magazines? Who can forget?

Minnetonka also brings you Folene, another hair restoration treatment developed by Cinos. In France, it is sold as a "treatment for the loss of hair, stimulates and aids the regrowth of hair."

Here are some statistics from a French experiment conducted by physicians with Folene:

	Total Regrowth	Partial Regrowth	Folene
19 Women	1	10	6
25 Men	1	17	7
44 Patients	4	27	13
in all	(9%)	(61%)	(30%)

Folene, too, operates by bringing polysaccharides to the hair follicle. It, too, works by application. The suggested retail price of a box (10 vials) of Folene is \$45.

Unlike Nutrilol, you'll be able to buy Folene in stores—Drug Stores, Department Stores, Safes, and Mail Order. It made its American retail debut in February in Birmingham, and it's now available at JC Penney stores. You'll be able to find it in these locations all over the country.

Folene claims that its treatment can cause an increase in the number of functioning hair bulbs in a treated area, and can stimulate hair growth compared to untreated parts of the scalp.

The triboaccharide (hydrolyzed mucopolysaccharide) molecule is small enough to penetrate into the follicle," says Richard Reeve, head of research and development for Minnetonka, "but not through the follicle lining. This allows Folene to work safely within the follicle and hair shaft, where it is the most effective." The molecule is not small enough to enter the follicle epidermis and become absorbed by the surrounding tissue and blood. That's why Folene is classed as a topical conditioning agent rather than a medication.

Folene is a new product in the United States, but in France it is the third largest selling product in pharmacies. Cinos Laboratories earns 40 percent of its total sales from hair restorers. Minnetonka obviously looks forward to Folene becoming a big business in this country, too.

NUTRILOL

Nutrilol includes vasodilators (but not nitroglycerin) as well as 51 amino acids and vitamins, sodium panthothenate—and complex organic substances extracted from animal tissues. These trichosaccharides are rich in complex carbohydrates, polysaccharides, which some claim accelerate hair growth. Nutrilol has patented a process that extracts polysaccharides in molecules so small they can be absorbed through the hair cell's follicle.

Cinos Laboratories, an Italian pharmaceutical firm, owns the patents, and licenses it to the U.S. company Nu Skin. Nu Skin sells it not through stores, but through independent distributors, much like Amway. Because Nutrilol hasn't gone through the FDA's testing procedures, it's marketed in the United States as a "hair fitness preparation"—that is, a hair tonic.

Complaint

117 F.T.C.

EXHIBIT E

Does Nutriol work?
 Cinnos claims the following figures for its users:

100% of all users with	100%
FAVORABLE responses	40%
to its results	100%

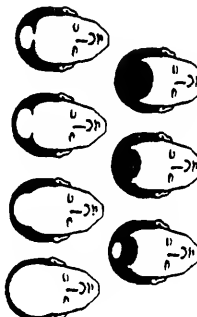
In France, 60 percent of users are women, who want to give their hair more body and fullness.

The Market Potential is Astronomical!
 J Wall Street Journal stated: The potential market size for a hair restoration product in the U.S.A. is \$1 - \$5 billion annually.
 J America experiencing health & fitness craze. Everyone wants to look good!
 J There are presently few in this market.
 J The users of NUTRIOL are emotional about the product. They gain positive visual results with usage.
 J It was not developed in someone's garage!! Its background lives with a well-known pharmaceutical company with a history of successful biologically based compounds in the ethical drug field.
 J Scientific Data back the product.

Nutriol vs. Folene
 Simple Comparison Chart

INGREDIENTS	NUTRIOL	FOLENE
Volume	7 ml	7 ml
Polysaccharides	105 mg	45 mg
Vasodilators	YES	YES
Vitamins	YES	NO
Amino Acids	YES	NO
Container	12 Vials	10 Vials

Clearly seen in the chart above, NUTRIOL is far advanced in hair fitness, with twice the polysaccharides, and is the **ONLY** product with Amino Acids and Vitamins to nourish the entire scalp, hair, bulb and follicle areas, plus personalized service!



**THE BIG DIFFERENCE BETWEEN
 NUTRIOL AND OTHER
 PRODUCTS...**

**You Can Choose To Participate In This
 Once In A Lifetime Opportunity!!!**

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EXHIBIT E

Do You Have Your
HEAD IN THE SAND
About Hair Growth & Hair Loss?



It's time to pull your head out of the sand...and understand just how NUTRIAL works and how hair grows, and why it stops growing.

Hair has 3 cycles:

Anagen Phase...when the hair bulb is active in forming new hair. In this phase, a high concentration of complex carbohydrates called mucopolysaccharides is found in the hair bulb.

Catagen Phase...the rest cycle, hair is produced in minimal levels.

Telogen Phase...the level of polysaccharides decreases and the hair stops growing, and results in fall-out.

Usually about 90% of the hair is in the Anagen or Catagen Phase, and approximately 10% is in the Telogen Phase. Hair grows at the rate of about 1/2 inch per month, and it is normal to lose from 50 to 80 strands of hair per day. But, with NUTRIAL, people find hair growth is increased by over 25%.

The diagram on page 18 shows the cross-section of the Hair Follicle, that there is more to hair* than meets the eye!

Hair takes root in the follicle. Around the follicle are our oil or more sebaceous glands. The sebaceous glands secrete a semi-liquid oily matter called sebum which lubricates the hair bulb. Sebum protects hair from extremes of temperature, humidity, drying, low-quality shampoos, and chemical treatments such as perms and coloring. When there isn't enough sebum the hair and scalp will be dry and show a flaking condition like dandruff. Too much oil causes oily hair and scalp which needs frequent shampooing and often results in itching, itching hair.

The hair bulb, found at the root of the follicle, is the only living part of the hair. At the root of the bulb is the papilla. Blood vessels in the papilla supply oxygen and nutrients to the hair.

You see, healthy hair is formed from elastic strands of proteins called Keratin which are made up of oxygen, iron, nitrogen, hydrogen, carbon, phosphorus, and sulfur. The hair shaft is comprised of the cuticle, cortex, and medulla. The cuticle is the outer layer, the cortex is the second layer which contains hair color, moisture and strength. The medulla or inner layer is the foundation of hair life.

Hair loss is caused by a number of reasons. These include diet, stress, disease, heredity, hormones and styling can also damage the hair. Blood flow may be restricted to the scalp for many reasons, especially when oxygen and other nutrients aren't available to sufficiently nourish the hair bulb. The Sebaceous gland may over secrete or under secrete sebum. These conditions can either break the hair bulb or "back feed" into the hair root and suffocate it. This results in hair fall-out. Good blood supply to the follicle is NOT enough. Blood must contain the proper nutrients to nourish the hair bulb and be in a form that can be used by the hair follicle.

EXHIBIT E

Nutril Nail

Yes, you too can have stronger and more beautiful nails! Nutril's Nail Fitness Cream contains a revolutionary formula that assists in nail growth and provides extra strength to protect your nails from chipping and peeling. Apply generously twice a day to your entire fingertips. NUTRIOL Nail Fitness Cream penetrates deep below the cuticles to nourish the nail matrix cells. It is absorbed into the nail bed for thinner, healthier nails.

Nutril Eyelash

It has been said that the eyes are the window to the soul. Nourish and invigorate your eyelashes with NUTRIOL EYE-1 ASIL. Apply this natural liquid to your lashes twice a day. Nutril revives distressed, weak eyelashes with a high concentrate of natural polysaccharides, a biological substance normally found in the eyelash matrix cells. Watch as your eyelashes grow more attractive, more luxuriant, and healthier. This formula is specifically designed to keep eyelashes nourished, protected and naturally beautiful.

Nutril Mascara

Lovely, lush, eyelashes is what Nutril Mascara is all about. Rich in texture and smooth in application, NUTRIOL MASCARA provides a beautiful natural accent for your eyes. Each compound in the formula has been carefully selected to ensure that it complements and enhances your natural body chemistry. This meticulous and intricate chemical process is expensive, but the results are priceless. The regular use of Nutril Mascara insures protection, nourishment and beautiful eyes. The fact that it contains real silk accounts for its "smooth as silk" application.

"For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle. All information points to Nutril as being the best remedy available for hair loss. We can expect Nutril to become a household word over the next couple of years."

Heidi Wood, Editor
Women's Health Magazine

"You probably haven't heard about Nutril. But you will. What's telling you people it grows hair? The public, that's who."

Don Peckham, Editor
New York Magazine

"The appeal of a 'natural' product as opposed to a synthetic drug is a strong selling point...A European hair fitness preparation called Nutril seems to be taking the lead. In spite of its newcomer status, Nutril seems to be generating enthusiasm here just as it has in Europe."

year: June
October 1976

"Nutril rejuvenates the scalp. Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women."

Annex to "Look in
April 1976

"The tri-hydroxy-choline (hydrolyzed micro polysaccharide) molecule is small enough to penetrate into the follicle, but not through the follicle lining."

March 1976
All you

EXHIBIT E

Let's Review...

- Cinos International has been in business since 1947.
- Cinos is a serious pharmaceutical company with emphasis on ethical (prescription) drugs.
- Cinos's basic technology is based on biological, active principles (biological extraction), i.e., not in synthetic or plant derivatives.
- Cinos is world renowned in its field.
- Since the 1950's, studies showed Natural Polysaccharides had the direct effect of growing hair on rabbits.
- It is the only product given visas from Ministries of Health in two countries (France and Italy) to be marketed with the claim "will retard hair loss and stimulate hair growth".
- NUTRIOL is an improved formula from its first generation product, with 51 essential amino acids, vitamins and twice the amount of polysaccharides!
- Scientific Testing and Proven Track Record since 1981 back its claims.
- U.S. Market is over 5 times as large as Europe, and production is geared up to supply 6 million boxes annually.
- Diminished levels of micropolysaccharides is a major cause of hair loss.
- Patented Process...A unique patented process for extracting natural penetrating polysaccharides yields molecules (AMT) 100,000:1 to be readily absorbed through the cells of the hair follicle.
- Polysaccharides found in other products are in a raw form, (1000:1 AMT) (100,000:1 AMT).

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Nutrial Shampoo

To help improve your chances of success with NUTRIOL hair treatment preparation, Nu Skin has introduced the "ultimate hair and scalp cleanser" ... NUTRIOL Shampoo contains patented permeable polysaccharides, vitamins and amino acids to insure synergistic action with NUTRIOL hair treatment preparation. This unique combination of ingredients in NUTRIOL Shampoo allows your hair to remain clean and nourished after each washing.

Nu Skin Total Performance Shampoo

Set A and B

For daily hair care, Nu Skin developed the Total Performance Shampoo. Both Formula A and B are pH balanced and packed with vital moisturizers and nutrients essential for healthy, great looking hair.

Nu Skin Automatic Hair Conditioner

After shampooing use the Automatic Hair Conditioner with its pH balanced formula to revitalize limp or damaged hair. It will condition your hair without leaving an oily residue. Also remember that these shampoos and conditioners contain no harmful waxes, as are contained in most shampoos and conditioners on the market today.

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EXHIBIT E

"Confessions..."

Another Doctor I visited About NUTRIOL...
Without a doubt, NUTRIOL is the best hair fitness
Preparation I have ever used in my life. At age 52, I have tried
many. I have moderately severe dandruff and "fluffy" uncontrol-
lable hair. In addition, my hair line has been receding.
Since starting NUTRIOL, the dandruff has cleared, my hair is
full and healthier, and control-
led, by every other day applica-
tions. The exciting part of using
NUTRIOL is that my
receding hairline has been
growing new hair, much of
which is over an inch long!
I plan on using it the rest
of my life. Also, several per-
sonal friends using the
product who are growing
hair, have had dramatic im-
provements of their sebor-
rhea and even psoriasis.
They are convinced also of
the excellence of the
product.



Dr. William T.
Black, M.D.
Surgeon &
Family Practice

• Nu Skin was NOT satisfied to just "reintroduce" the European
hair fitness product to the United States. Instead they teamed up
with research here to "upgrade" the European formula to their
uncompromising standards.

• The result... NUTRIOL is a vastly improved and more potent
version of its European counterpart--containing twice the
amount of polycarbonylides, and 51 amino acids and vitamins.

• NUTRIOL is NOT a drug.

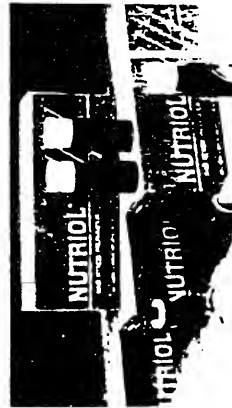
• NUTRIOL is naturally formulated.

• NUTRIOL is easy to use and is not messy.

• NUTRIOL has an incredible background in research.

• NUTRIOL has an incredibly EXCITED following!

• NUTRIOL is marketed in a fashion that YOU have an
opportunity of a lifetime to participate in!



Complaint

117 F.T.C.

EXHIBIT E

Invited Hair Professional...

As a hair professional, I was very skeptical about the efficacy of Nutril as a hair fitness preparation when the product was first presented to me. Twenty years in the industry of seeing products come and go, and at the same time trying to build a reputation were the basis for my skepticism. Fortunately, I purchased some of the product for personal use, and after 90 days of faithful application of the product, I could see exciting results, and so could others who knew me well...and I have also found the Nu Skin skin care products and the entire marketing program to be as equally exciting as Nutril. Becoming a Nu Skin distributor really is one of those rare opportunities that come along for a hair professional that should not be passed up!

David J. Robinson, President
International Hair Consultants

A Make-Over Salon

Jerry is an excellent Hair Stylist, and I've been in the Medical Field for 25 years, and we started a "make-over" Salon Business together, and are excited to also be partners in Nu Skin! We have sold, purchased and recommended many hair conditioners, but none can compare with NUTRIL as a scalp treatment and hair conditioner and hair restorer. Nothing compares to NUTRIL!

Jerry and Sandy Rysburn

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Natural Me, and I like False Eyelashes!

Years ago I applied false eyelashes, which eventually ruined my own "weak" ones. I started using the Nutril Eyelash, and cannot believe how lovely and improved my lashes are getting. Some of my family even ask if I've found a new, more "natural" set of "falsies". I just say NO, they are my own, thanks to Nutril Eyelash!

Linda S.
Hollywood, California

Nails Are Tip-Top, Thanks to Nutril Nail!

I used artificial nails because I wanted to enhance the look of my hands. My own nails were weak and brittle, and would barely grow past my fingertips...Until I purchased NUTRIL NAIL. I began using it about twice a day, sometimes more, and within a matter of a few weeks, I noticed my nails had a glossy look, and were really strong. I get to polish my own nails now, and they look so pretty!

Lorraine S.
Kansas City, MO

My Nails are Growing Like Crazy!

IT ONE my NUTRIL NAIL Fitness Cream! I have tried so many times to grow my own nails out, but they have always been short, weak and ugly with ridges...I decided to give Nutril Nail a try...My nail are shiny and STRONG like never before! And the ridges are unnoticeable.

Kelly B.
Crug, CO

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EXHIBIT E

More Hair At Age 62

I am a licensed barber and cosmetologist in Tulsa, Oklahoma, and have been in the hair-cutting business for 40 years, and in the men's hairpiece business for 26 years.

I started losing hair in my early 30's, after which I ordered my first hairpiece. At about 40 I became almost totally bald on my front and crown. During my hair loss and the wearing of a hairpiece for over 20 years I have tried every "so called" hair growth product and system. I have never seen nor had any satisfactory results UNTIL NUTRIOL!

I began using NUTRIOL in February 1986, and was skeptical to say the least. The available research, credibility of the company that produces it, and the fact that the product and what it was supposed to do make total sense are what really convinced me to finally use the product. I used NUTRIOL 3 and a half months every other day. It stopped excessive hairfall after about 1 and a half months. My hair became fuller, thicker and more manageable. I began to see new growth after about 2 and a half months (3-4 boxes of NUTRIOL). I was so excited and pleased with the results that I began to use the product everyday. After about seven months, I have grown back a good, full, comable head of hair on my front, top and crown. I continue to have new growth and my hair in front on my crown is thicker and nicer today at age 62, than it was when I was 30 years old!

NUTRIOL is definitely a revolutionary break through in hair and scalp treatment. I have experienced fantastic results with customers with psoriasis, itchy and greasy scalp and problem dandruff.

I can honestly say, through my personal experience and use, that NUTRIOL is the best hair fitness product and conditioner that I have ever used or experienced in my life time. I recommend it without hesitation, to anyone with a hair or scalp problem or to anyone who wants to have the thickest, shiniest and healthiest hair they can have.

**Fred Cupps, Hair Professional
Color Photographs Available Through Your Distributor**

Thanks to NUTRIOL, No More Psoriasis...

I have had psoriasis for 15 years, and was controlled by medication prescribed by my dermatologist. It smelled awful and was very messy, but it never cured my psoriasis. I had a chance to try NUTRIOL, and was very skeptical, but am happy to say now that I'm very glad I tried it. After four boxes, my scalp was completely cleared, and my hair was lovely!

Certified Aesthetician, Denver, CO

Made Pattern Baldness...No Problem For Me!

I have typical "male pattern baldness" beginning. My hair has become thin and thin, thinning up the hairline in front on both sides. Few days after I first used NUTRIOL my wife could see new hair appearing. Can't wait to get my next batch!

Ed Lucches

Software Products...Suburban Marketing Plan

As an Economics Professor for the past 20 years, I have been approached numerous times by students and friends who wanted to help me get rich by joining a multi-level marketing system. I have always believed that MLM programs were a legitimate business form, but I have always been turned off by the belief that they were really selling friendships, not products. With Nu Skin, the priorities are in the right order: the rewards are also potentially infinite!

**B. W. Kinzey, PhD
Economics Professor, BYU,
former Professor at Pepperdine**

EXHIBIT F

See Testimonial on Page 29



FRED CAPPS
BEFORE



FRED CAPPS
AFTER

If you have any questions about NUTRIOL, or would like more information about how you can take advantage of this once in a lifetime opportunity, contact your independent Nu Skin Distributor.



Your Independent Nu Skin Distributor



Complaint

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EXHIBIT F



Simon Sez...

By Lenny Simon, Hair International, PA

As I have stressed before, in the many articles I have written over the years for Hair International, we, the barbers and beauticians, are both artists and business people.

As artists we have gained the respect and admiration of all who come in contact with us for our abilities to transform a person's appearance from shabby to sharp. As business people, there are many of us that have been very successful retailers, whether it be products for beauty or for the hair, or in many cases, hair replacement, which offers us a really nice profit.

Personally, I am involved in all that I have just mentioned. However, I am always looking for something new. What I have found, I am now going to share with all of you and honestly hope you will see the possibilities for you to obtain a nice income, with a minimal amount of effort. I introduced this idea to our National Office several months ago, and I believe that in the near future, we will be involved in this program.

As you are aware, every time you pick up a Magazine or a newspaper, something is mentioned about our new wonder drugs to stop hair loss and promote new growth, or in



Feb. '86



May '86



June '86

some cases outrageous claims are made about total regrowth of hair on completely bald men and women. Well, when I hear total regrowth, and outrageous claims, I for one do not put much stock in these claims.

I am a distributor, along with a partner Mr. Fred Carrara, for a nationally known line of men's hairpieces, and we have a couple of hundred dealers for these hairpieces that we work with.

If you are involved in the hair replacement business, you have heard more than a few times, a customer questioning you about the so-called wonder drugs for hair regrowth, and if you're like me, you try to be truthful with the customer, and tell him there is no such thing as pie in the sky. Well, this is what I used to tell them. There has been a major breakthrough in a product that drastically reduces hair loss, and in many cases, actually regenerates new growth and thickens a person's natural head of hair. This product, known as Nutriol, comes out of Como, Italy, from a large drug company known as Crinos which has dollar sales in excess of 90 million dollars. Crinos has some 12 clinical studies since 1981.

EXHIBIT F

involving some 500 men and women with a success rate of 75% of all tested greatly reduced their hair loss, all but eliminated dandruff and psoriasis problems, had substantial hair regrowth and enjoy a healthy head of beautiful hair.

It all sounds too good to be true, doesn't it? Well, I personally thought the same thing when I first heard about Nutrial. I thought, "Here we go again, another snake oil," but being adventurous, I gave it a try. I followed the directions, using the product every other day, massaging it into my *balancing front*, and I even had my partner Fred, take a snap shot of my head before starting the program. Well, by the end of the 3rd month, I realized that my hair felt thicker, and more manageable. I also noticed that the excessive hair loss came to a stand still and when I combed my hair, I was able to obtain a cosmetically acceptable style without my front looking so thin. This pleased me greatly, so after the 90 days, I took another picture of my head. After having the pictures developed, I almost fell over when I realized that what I thought was snake oil, was for

real—I **actually grew hair—not fuzz, but real hair, that I could comb and have cut.** . . . What a nice feeling for a guy that thought he was going to need a hairpiece in a very short time.

The Nutrial concept works on Multi-Level Marketing. In other words if you were to get involved buying the product, and knew several other partners or beauticians that wanted the product, all you do is sign up these professionals, and you get 9% of everything they purchase—so let's say you were to sign up 5 people, and they talked to friends and signed up some and so on. Do you realize the kind of money you could make just on their purchases—not to mention the profit you could make by retailing the product in your salon. Here it is, we in the hair business finally have a product that is a natural for us, and we can make a real buck while helping our customers achieve a nice head of healthy hair.

I hope this article generates your interest in Nutrial. I wouldn't steer you wrong. My partner and I have about 50 barbers and beauticians in the Philadelphia, South Jersey area now involved with this product, and to date we have had no

negative response.

There is one thing you have to realize right up front, if a person is skin bald, and has been that way for years, the party's over. Nothing is going to grow hair for this client. However, if a person is realizing abnormal hair loss, and notices the hair thinning out, Nutrial really can help correct this problem, and in many cases regenerate growth.

Never try to con your customer. Let him or her know right up front that Nutrial is designed to be a hair fitness program, but the results he or she may obtain can be almost unbelievable. Good luck!



EXHIBIT F



NUTRIOL
News All Across America

Washington's heads of state are apparently joining ranks with New Yorkers who have already embraced the new product in the hopes of having a hair-raising experience.

Kim Upton
Boston Herald, April '86

There are some big-name politicians and lobbyists using this. There have been significant results with no adverse reactions.

Washington Magazine
March '86

Two other anti baldness products may sneak into Philadelphia soon. One is NUTRIOL, a hair fitness preparation, and has garnered a cult following in New York, Florida and California.

Philadelphia Magazine
May '86

The tricosaccharide hydrolyzed mucopolysaccharide molecule is small enough to penetrate into the follicle, but not through the follicle lining.

Muscle Fitness Magazine

If a person is realizing abnormal hair loss, and notices the hair thinning out, NUTRIOL really can help correct this problem, and in many cases regenerate growth.

Lenny Simon
Hair International News

For the first time there is a revolutionary new approach to dealing with hair loss that can provide nutrients directly to the follicle.

All information points to NUTRIOL as being the best remedy available for hair loss.¹ We can expect NUTRIOL to become a household word over the next couple of years.

Health World Magazine
Winter 86-87 Edition

have about 20 percent more hair now than did before using NUTRIOL. Moreover, the rate of hair loss is noticeably less than before I started using NUTRIOL. I know the product works.

David K. Brown
Hair Industry News

Yes, it can stimulate hair regrowth.

Dr. Nicholas Bruno
Providence, R.I. Journal

Many users have been satisfied with the results.

ROBB Report
January 1988

With all these bogus hair growth products and drugs with adverse reactions, is there any hope for a product that will actually work? The answer is yes. NUTRIOL is being used by both men and women with some outstanding results being reported and is stirring up a lot of excitement in the U.S.

*Park Cities News
Dallas, Texas
October '86*

The appeal of a natural product as opposed to a synthetic drug is a strong selling point A European hair fitness preparation called NUTRIOL seems to be taking the lead ... In spite of its newcomer status, NUTRIOL seems to be generating enthusiasm here just as it has in Europe.

Sports Fitness Magazine
October '86

NUTRIOL rejuvenates the scalp... Usually, you may experience healthier, thicker, more vigorous hair growth for both men and women.

American Salon

For additional information, contact your NU SKIN representative.



**STOP
LOSING
HAIR
ASK HOW**



EXHIBIT H

\$100
WORTH OF
SPORTS PEAK
PERFORMANCE
PRODUCTS
FREE

Just to Introduce Our
Unique Product Line

You Will Receive
FREE

- Drug Testing in Sports by
Dr. Bob Goldman, Chief of Drug
Control, International
Federation of Body Builders
\$25.00 value
- 1988 Rogaine in Reg.
Performance Medicine and
Longevity. 30 min. audio
cassette tape & audio lecture
\$20.00 value
- Sports Tech Labs 1989 Top 10
Elite Sports Performance
Products
\$25.00 value
- Same as above plus
excellent illustrations, 30 min.
audio cassette, 30 min. audio
lecture, 30 min. audio tape and
audio lecture
\$10.00 value
- Customized sports enhance-
ment products available where
\$40.00 value

Send name and address
and \$5.95 to cover
postage and handling to

**SPORTS TECH
LABS, INC.**
P.O. Box 146571
Chicago, IL 60614-6571

Customer Service Hotline
312-929-5102

from cure-rate hair-transplant clinics where doctors may be relatively inexperienced. Look for a surgeon or dermatologist associated with the American Society of Dermatologic Surgery.

People have been looking for baldness cures since time immemorial. The latest bottled remedy is Upjohn's minoxidil, which the pharmaceutical giant markets under the name Rogaine. The difference between minoxidil, Rogaine and all its predecessors is that Upjohn's drug seems to really work.

Minoxidil began as blood pressure medicine. (Its prescription blood pressure version is called Loniten.) It seemed to grow hair as a side effect. (If you have normal blood pressure and start taking minoxidil, will it lower your blood pressure to dangerous levels? Almost certainly not. Upjohn tried it on 2,300 volunteers looking for just this effect, and no one had any serious problems.)

Used as a hair restorer, minoxidil is applied to the scalp every day. It seems to act by restoring blood circulation to affected follicles. The amount used is minute, which is why only the pill-form Loniten affects your blood pressure.

Does it work in every case? No, but it works in some. How many? About 40% in 10 days, Upjohn says. This may be an optimistic figure, because the Upjohn study excluded men over 40 and men who were totally bald or close to it. The drug seems to work better if you're younger if you're not losing hair too quickly, and if you haven't been balding long. In other words, the less you need it, the better it'll work.

Nevertheless, a 40% chance at some improvement is promising enough for many people. Upjohn now sells minoxidil as a hair restorer in 40 countries. In the U.S., an impressive 73% of dermatologists prescribe the drug for hair loss. You've read about minoxidil, Rogaine before in *MUSCLE & FITNESS* and you'll be hearing lots more about it as it establishes its niche in the U.S. market. What we can safely say about it is that there probably is a drug in our future that will cure baldness, and that minoxidil/Rogaine is the first effective step.

It's hard to have healthy hair without good nutrition. Several years ago *Nutrition Reports International* reported on an experiment on gelatin as a hair health aid. When subjects supplemented their diets with 14 g of plain gelatin a day, the diameter of hair strands increased 50% in two months.

Thicker individual strands are considered to carry improved mechanical properties. When the subjects stopped eating gelatin, strand diameter shrank

back to normal in six months.

Nutril is a big-time hair-growth product in Europe, where it's marketed as Folitene. How big? It outsells every over-the-counter preparation except Tylenol and aspirin over there. In this country, independent distributors sell it as a "natural" drug-free product. To avoid FDA action, distributors can't refer to its hair-restoring properties. Instead it's called a "hair fitness preparation." But Nutril has been in the news plenty, and everyone knows that in Europe, people think it grows hair.

Nutril is a literal hair tonic that attempts to restore nutrients and growth factors to dormant hair follicles. It is in fact a natural product, containing amino acids, vitamins, sodium pantothenate, natural vasodilators and complex organic substances extracted from animal tissues. The product's "secret" is its patented process for extracting elements that yield molecules small enough to impart these nutrients inside the hair follicle.

Does it work? Europeans and Nutril's U.S. distributors say it does. If dormant follicles are your problem, there seems to be no reason why it wouldn't work. Dead follicles, of course, are just dead. In any case, the stuff costs less than minoxidil or a transplant—about \$600 or less a year. And it sells like hot cakes in Europe.

In his book *Fitness Through Nutrition*, Porter Shriver, editor of *The Executive Fitness Newsletter*, provides a hair tonic "cocktail" anyone might think about drinking in a daily glass. With fresh fruit juice in a blender, whip up the following:

- 1 cup plain yogurt
- 1 banana
- 1/2 cup cherries
- 5 Tbsp. wheat germ
- 2 Tbsp. brewer's yeast
- 1 Tbsp. lecithin granules
- 1 tsp. Vitamin C crystals
- 1 raw egg yolk
- 1 Tbsp. unflavored gelatin powder

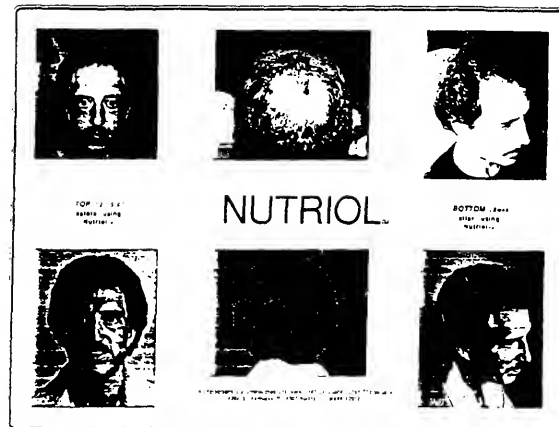
Finally, get yourself a good hairdresser. He can make what hair you've got look beautiful. People who make their living making you beautiful can tell you a lot about your hair. For example, they know that trimming stops splitting from traveling up the shaft of hair. They can advise you against using conditioners more than once a week and hair oils not at all, and that the best hair brush bristles come from boars. □

Learned about hair loss? We'd like to hear from you. Write to: Dr. Bob Goldman, MD, for questions or a product recommendation. Consult the Sports Medicine Group, 3000 N. Lincoln Ave., Suite 100, Chicago, IL 60614. (312) 929-5102.

Complaint

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EXHIBIT I



Over the past several years, I have been watching my hair grow thinner and shorter, and becoming very dry and brittle. On December 15th, 1987, I started using NUTRIOL. In just seven months, my hair has become thicker and fuller. I am also experiencing new growth all along my once receding hairline and in the crown area. My hair now grows longer and has become much softer.

NUTRIOL is the best hair care product I have ever used. Thank you NU Skin! I recommend NUTRIOL to anyone with thinning hair or who would just like to build more body and fullness into the hair.

[Signature]

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Independent Distributor
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Complaint

EXHIBIT J

- b. Referral: Use center of influence list as above and if they buy the product ask for a referral. If they don't buy the product ask for a referral also. Always ask for a referral, and then get referrals from referrals.

Example: After the sale.

(Script)

You: I'd like to thank you for becoming a customer of mine. Jill, I know you'll simply love this skin care line. I really appreciate your help in getting my business started. I'm sure you know some friends who could also benefit from a great product like this. Can you give me 3 or 4 names of friends or associates that I can show the line to.

Example: No Sale

(Script)

You: Gee Ann, I can understand how skin care is not that important to you, but I am sure you know some friends or business associates who are thinning or who it really bothers. I am really committed to make my business a success and I'd appreciate you help in getting it off the ground. Can you give me the names of 3 or 4 people you know who are thinning or balding?

Thanks, I really appreciate it.

- c. Third party referral: If you are uncomfortable about approaching retail customers directly, or use third party referral. You are actually prospecting them by asking for referrals.

(Script)

You: Janet, Hi. How have you been? (small talk) Janet, guess what? I just started a new job with a marketing company and one of their products is a dynamic skin care line (or hair product, or nutritional line, or subliminal tape line). It's the most expensively manufactured skin care in existence in the world, and priced at less than Lancome or Clinique. Their non-surgical face lift will actually remove wrinkles better than Retin-A. It's exciting. I wanted to ask you a favor. Can you give me just four names of friends or business associates I could show the line to, someone who would like to look 10 years younger.

Janet: That sounds great. I could use a product like that.

You: You could? Great! Let's set an appointment and I'll give you a non-surgical face lift demo. (Set appointment) While I have you on the phone, give the names of the four friends that I can show this to also. (Call the referrals and use the same technique for obtaining more referrals.)

- d. Video pass out: This can be used if you are uncomfortable with approaching people directly. Use videos to sift for level of interest in the product:

- (i) Skin care: Use "Opportunity of a Lifetime" video. (Available from Nu Skin)
- (ii) Subliminal Tapes: Use "Subliminal Explanation Tape" audio cassette. (Available from Nu Skin)

(Script)

You: Janet Hi! How are you doing?

Janet: Great, what have you been up to?

You: Well I've been pretty busy. I just got involved with a company that markets some pretty dynamic products. Matter of fact when I saw one of them I thought of you. It's a

**EXHIBIT
J**

EXHIBIT K - AUDIO CASSETTE

EXHIBIT L - VIDEO CASSETTE

EXHIBIT M - VIDEO CASSETTE

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Complaint

EXHIBIT N

GET RID OF WRINKLES!

EXHIBIT N

STOP

Ask about a

FREE

NON-SURGICAL FACE-LIFT

Demonstration

"I CAN'T BELIEVE THE LIFT MY DAUGHTER HAS GIVEN ME"



our Independent NuSkin Distributor

When my daughter wanted to give me a NuSkin face-lift, I chuckled. I just knew she was kidding herself if she thought there was hope for my well-earned wrinkles of 84 years.

Little did I realize that my skin not only looks and feels better, but I am becoming a celebrity, meeting so many new and exciting people. Imagine feeling like a model at my age.

I do have one problem though. Louise keeps putting me off about doing the other side. Needless to say it's hard to keep my best side forward all the time!

I am excited that there is a product like NuSkin available which works so dramatically giving hope to a wrinkled skin problem that I thought hopeless. I don't expect to look 20 years old, but I like looking as young as I feel and that's not 84 years of age. My husband who is nearly 92 years of age gives me an added touch—a kiss on my NuSkin cheek everyday!

Complaint

117 F.T.C.

EXHIBIT O

A RECOVERY UNEXPLAINED BY DOCTORS

by LOU WAPP of MILWAUKEE, WISCONSIN
(414) 462-2128

On July 8, 1988 I received second and third degree burns to my legs. Doctors told me that I would be bedridden for 6-8 months, not able to work or enjoy the rest of the summer because of the heat of the sun. They also said that I would need skin grafting on my right leg from the knee down, and that my upper left leg would be scared. This was very devastating to me.

What you see in the pictures is the debridging of the dead skin done by the nurses. Doctors told me that without the skin grafting my leg would be disfigured, tight and scared in color and that I would not have full movement near my ankles because the skin would grow back tight. At the time, the grafting seemed to be the only answer until I was introduced to NU SKIN INTERNATIONAL and their products.

On July 23, 1988 I was invited to a seminar, so I rented a wheelchair and attended. They talked about a product called CELLTREX made with AVIAM COLLAGEN. I was given a sample and started to use it. This product had been tested on burns victims with success in healing tissue. I started to use the CELLTREX on a small area of my upper right leg, and in three days I noticed what looked like little bubbles of skin forming on my leg. I was to go see the doctor on Monday because they had my surgery scheduled for Tuesday. When I saw the doctor he examined my leg and said there looked to be skin growing "and your leg may not need grafting, so we'll postpone the surgery until next Tuesday, so we can watch and see what happens to the rest of the leg. You will need grafting, but not as much as we first thought." I started to use the CELLTREX further down my leg now and the same thing began to happen. They postponed all three surgeries because all of the skin came back in less than 90 days.

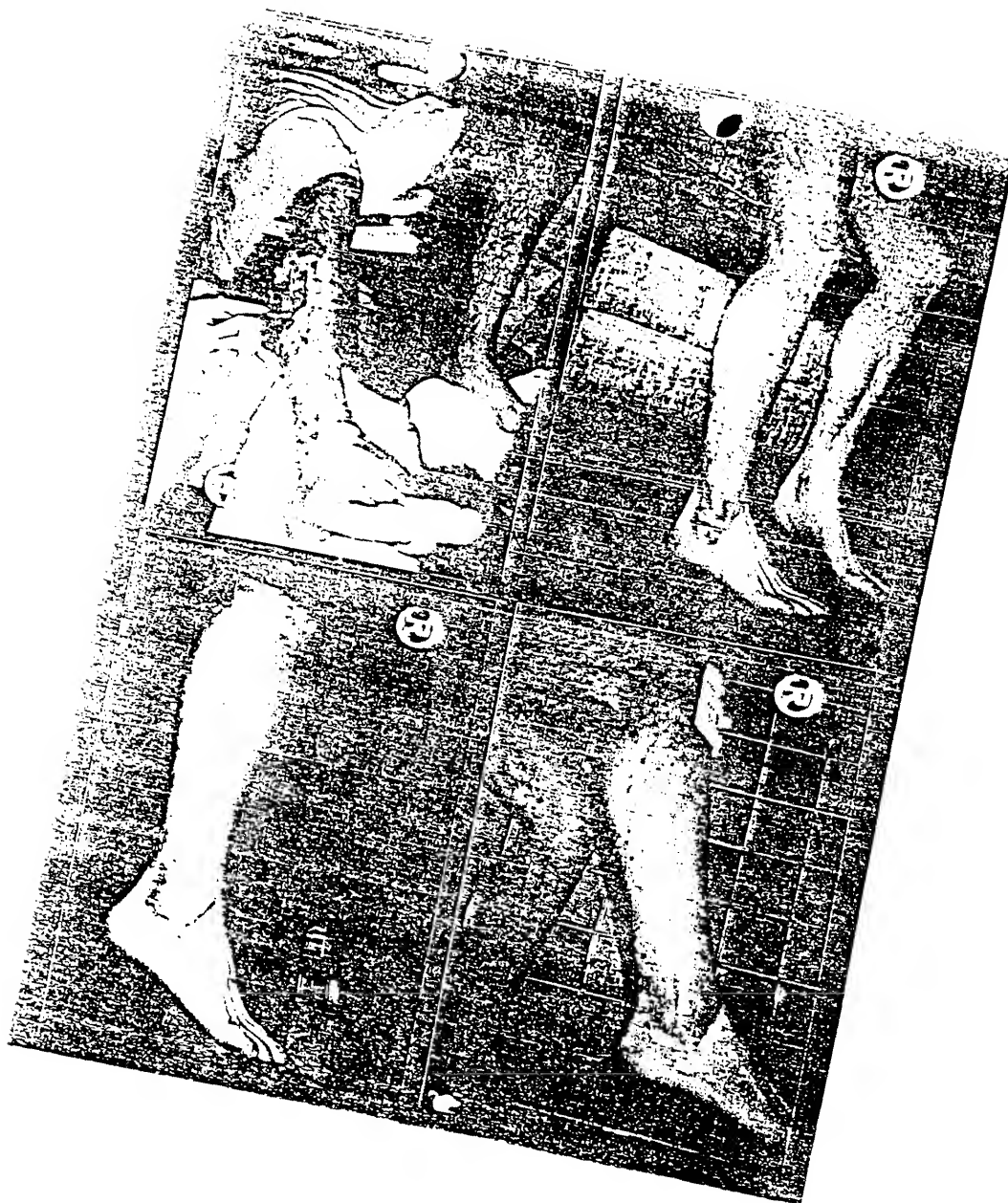
My skin feels normal in texture and where they told me I'd never have hair on my leg, I have hair. My skin is already turning back to it's normal color in some areas, as you can see in the pictures.

I am thrilled with the results from CELLTREX and the other products. I have used the NAPOA MOISTURE MIST, and when the skin was all back, I used the REJUVENATING CREAM and the ENHANCER.

Needless to say, the doctors can't explain what happened. They are just as amazed and as happy as I am. Thanks to NU SKIN products, I'm up and running.

Lou Wapp

EXHIBIT O



Complaint

117 F.T.C.

EXHIBIT P



**Stop walking
past a fortune**

**If you're not earning
\$10,000 a month or more**

We Need To Talk!
Call Now
(816) 464-8150
24 Hour Recorded Message

EXHIBIT Q

EXAMPLE SCRIPT FOR YOUR "WANT AD'S" ANSWERING MACHINE

YOUR MAIN REACTION MAY BE ONE OF SKEPTICISM. LET ME ASSURE YOU I HAVE BETTER THINGS TO DO WITH MY TIME AND MONEY THAN TO MESS AROUND WITH PHONEY ADVERTISING AND MISPLACED HUMOR.

BEFORE I CONTINUE, THIS MESSAGE IS FOR THOSE WHO ARE NOT HAPPY WITH THEIR STANDARD OF LIVING SO IF YOU ARE MAKING ENOUGH MONEY AND HAVE THE TIME TO ENJOY IT, OR IF YOU NEED A JOB THEN I SUGGEST YOU HANG UP NOW.

BUT IF THE THOUGHT OF BEING TOTALLY AND ABSOLUTELY FINANCIALLY FREE WITHIN 6-24 MONTHS PUSHES ANY BUTTONS, PLEASE KEEP LISTENING BECAUSE WHAT YOU ARE ABOUT TO HEAR IS ABSOLUTELY TRUE.

DON'T YOU WORRY THIS IS NOT AMWAY, HERBAL LIFE, MARY KAY, WATER UNITS OR ANY OTHER SATURATED PROGRAM. WHAT THIS IS, IS A MOTHER LODE OF WHAT FINANCIAL EXPERTS NATIONWIDE ARE CALLING THE GREATEST OPPORTUNITY IN THE LAST 25 YEARS.

I DON'T KNOW IF YOU HAVE WHAT IT TAKES TO EARN 10,000 DOLLARS A MONTH BUT IF YOU QUALIFY, I WILL RECRUIT AND TRAIN YOU FOR WHAT PROFESSIONALS CALL THE FINEST NETWORKING MARKETING PROGRAM AVAILABLE TODAY.

THERE IS ONE CATCH. THAT IS YOU MUST MEET WITH ME FOR ONE HOUR FOR A NO PRESSURE, NO HYPE, FACT FINDING INTERVIEW. DURING THAT ONE HOUR WE WILL DISCUSS THE OPPORTUNITY. FOLKS THIS IS FOR REAL. YOU MAY THINK THIS IS A JOKE. SADLY SPEAKING FOLKS THE JOKE IS ON THOSE WHO WILLINGLY GIVE UP 40 YEARS OF THEIR LIVES BUILDING SOMEONE ELSE'S WEALTH.

THE FIRST STEP OUT OF THE RAT RACE IS LEAVE YOUR NAME AND NUMBER SO I CAN CALL YOU BACK. LET'S FIND OUT IF YOU CAN BE AND WILL BE ONE OF THE FIRST 25 PEOPLE I WILL HELP GET EARNING WELL OVER \$100,000 IN THE NEXT 12-24 MONTHS. IF YOU HAVE THE COURAGE TO LEAVE YOUR NAME AND PHONE NUMBER AND PLACE YOURSELF IN A WIN/WIN SITUATION, IT WILL MAKE YOU RICH. THANK YOU FOR CALLING, PLEASE LEAVE YOUR MESSAGE AT THE SOUND OF THE TONE.

Complaint

117 F.T.C.

EXHIBIT R

TELEPHONE SCRIPT

TALK WITH EXCITEMENT, REMEMBER THIS SCRIPT IS GOING TO
MAKE YOU A MILLION DOLLARS!!!!

AFTER SMALL TALK: F.O.R.M. (FAMILY, OCCUPATION, RECREATION, MONEY)

I'M WORKING WITH A BUSINESS CONCEPT THAT IS SWEEPING THE COUNTRY. WE HAVE ALREADY SET UP BUSINESSES IN CHICAGO, MILWAUKEE, MINNEAPOLIS, CALIFORNIA, AND HAWAII (delete your area if it is one of these). BASED ON WHAT IS HAPPENING THERE, THE PEOPLE THAT WE START WORKING WITH LOCALLY WILL EARN IN EXCESS OF \$60,000-\$80,000 THEIR FIRST YEAR WITHOUT JEOPARDIZING THEIR PRESENT INCOME. I'M LOOKING FOR 5 KEY PEOPLE, I DON'T KNOW IF YOU'RE ONE OF THEM, BUT I THOUGHT OF YOU FIRST. DOES THIS SOUND LIKE SOMETHING YOU'D LIKE TO HEAR MORE ABOUT?

You may be able to stop here and just get a firm commitment to get together, or you may need to give them some more information. If they need more information, DO NOT DEVIATE FROM THIS SCRIPT!!! Remember, CREATE CURIOSITY, DO NOT SATISFY!!!!

HAVE YOU HEARD OF UPLONN COMPANY? THEY HAVE A PRODUCT CALLED MINOXIDIL, WHICH HAS JUST RECENTLY BEEN APPROVED BY THE FDA. UPLONN HAD ALREADY SPENT 2 BILLION DOLLARS ON THIS PRODUCT BEFORE IT WAS EVEN OUT!!!! HOWEVER, IT IS A PRESCRIPTION DRUG, IS ONLY 30% EFFECTIVE, AND HAS A LOT OF REPORTED SIDE EFFECTS. MEANWHILE IN ITALY, A 40 YEAR OLD PHARMACEUTICAL COMPANY HAS A PRODUCT THAT IS OVER 80% EFFECTIVE AND HAS NO SIDE EFFECTS. IT IS ALREADY THE #1 SELLING PRODUCT IN EUROPE. IT IS FDA APPROVED IN FRANCE, ITALY, AS WELL AS GREECE, SPAIN, AND PORTUGAL. IT IS FDA LISTED HERE IN THE U.S. AS A COSMETIC. WE ARE WORKING WITH THE COMPANY THAT HAS EXCLUSIVE MARKETING RIGHTS HERE IN THE U.S. THE SAME PATENTED PROCESS FOR THE HAIR, ALSO HELPS EYELASHES AND FINGER-NAILS. PLUS A GEOMETRIC FACELIFT THAT HELPS FINE LINES AND WRINKLES AND IS MAKING PEOPLE LOOK YEARS YOUNGER IN JUST 1 OR 2 APPLICATIONS.

I REALLY CAN'T TELL YOU ANYMORE, BECAUSE WHAT I HAVE TO SHOW YOU IS VERY VISUAL. IT'LL TAKE ABOUT 30 MINUTES. IF I'M COMPLETELY WRONG-THAT'S ALL YOU'VE LOST, BUT IF I'M RIGHT, DON'T YOU OWE IT TO YOURSELF TO FIND OUT??

WE'RE GETTING TOGETHER TO DISCUSS THE POSSIBILITY OF OPENING UP THIS AREA ON _____. SINCE I'M ONLY LOOKING FOR 5 KEY PEOPLE, I NEED TO KNOW YOU ARE GOING TO DEFINITELY BE THERE!!!! CAN I COUNT ON YOU BEING THERE? CAN I COUNT ON YOUR SPOUSE BEING THERE? SPEAK, I'VE GOT IT ON MY CALENDAR, DO YOU HAVE IT ON YOURS?? SEE YOU THEN!!!!

REMEMBER THE 4 C'S:

- C--COMPLEMENT!!!!
- C--CREATE CURIOSITY, DO NOT SATISFY!!!!
- C--CONTROL YOURSELF FROM ANSWERING QUESTIONS!!!!
- C--COMMITMENT, GET A FIRM COMMITMENT FOR YOUR APPOINTMENT DATE!!!!

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Chicago Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents, their attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and no comments having been filed thereafter by interested parties pursuant to Section 2.34 of its Rules, now in further conformity with the procedures prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Nu Skin International, Inc. ("Nu Skin"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 75 West Center, Provo, Utah.

2. Respondent CJM, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 1565 East 3300 South, Salt Lake City, Utah.

3. Respondent Clara McDermott is an officer and director of corporate respondent CJM, Inc. Individually or in concert with others, she formulates, directs, and controls the acts and practices of CJM, Inc., including the acts and practices alleged in the complaint

attached hereto. Her principal office or place of business is the same as that of CJM, Inc.

4. Respondent CST Management, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 11 Northridge Way, Sandy, Utah.

5. Respondent Craig Tillotson is an officer and director of corporate respondent CST Management, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of CST Management, Inc., including the acts and practices alleged in the complaint attached hereto. His principal office or place of business is the same as that of CST Management, Inc.

6. Respondent CK&C, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Utah, with its principal office or place of business located at 3800 Sherwood Drive, Provo, Utah.

7. Respondent Craig Bryson is an officer and director of corporate respondent CK&C, Inc. Individually or in concert with others, he formulates, directs, and controls the acts and practices of CK&C, Inc., including the acts and practices alleged in the complaint attached hereto. His principal office or place of business is the same as that of CK&C, Inc.

8. The acts and practices of the respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

9. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this order:

1. "*Substantially similar hair loss treatment product or service*" shall mean any product or service that is advertised or intended for sale over-the-counter to treat, cure or curtail hair loss and which contains or purportedly contains polysaccharides or any extract thereof.

2. “*Substantially similar facial treatment product or service*” shall mean any product or service that is advertised or intended for sale over-the-counter to remove facial wrinkles and that contains or purportedly contains albumin or any extract thereof.

3. “*Substantially similar skin treatment product or service*” shall mean any product or service that is advertised or intended for sale over-the-counter to treat or promote the healing of burns that would otherwise require skin grafting and that contains or purportedly contains aloe vera and/or avian collagen or any extract thereof.

4. “*Competent and reliable scientific evidence*” shall mean tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that has been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.

I.

It is ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Nutriol Hair Fitness Preparation (“Nutriol”), or any substantially similar hair loss treatment product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will stop, prevent, cure, relieve, reverse or reduce hair loss;

2. The use of the product or service can or will promote the growth of hair where hair has already been lost;

3. The product or service is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss; or
4. Competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will stop, prevent, cure, relieve, reverse or reduce hair loss;
2. The use of the product or service can or will promote the growth of hair where hair has already been lost;
3. The product or service is as effective as, or more effective than, any other product or service in the treatment of hair loss; or
4. Competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth, unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

C. Advertising, packaging, labeling, promoting, offering for sale, selling, or distributing any product that is represented as promoting hair growth or preventing hair loss, unless the product is the subject of an approved new drug application for such purpose under the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 301 *et seq.*, provided that, this subpart shall not limit the requirements of part I.A and B herein.

II.

It is further ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or

through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Face Lift with Activator ("Face Lift"), or any substantially similar facial treatment product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, that:

1. The use of the product or service can or will permanently remove facial wrinkles; or
2. The product or service is as effective as, or more effective than, the prescription drug Tretinoin (currently marketed as Retin-A) in the removal of facial wrinkles.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act:

1. The efficacy of the product or service in the treatment of facial wrinkles; or
2. That the product or service is as effective as, or more effective than, any other product or service in the treatment of facial wrinkles,

unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

III.

It is further ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or

through any partnership, corporation, subsidiary, division, or other device, do forthwith cease and desist from:

A. Representing, in any manner, directly or by, implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of Celltrex or any substantially similar skin treatment product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, that the product or service will promote the healing of third degree burns.

B. Representing, in any manner, directly or by implication, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any other product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, that the product or service will promote the healing of, or is otherwise an effective treatment for burns, unless such representation is true and, at the time of making such representation, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

IV.

It is further ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents’ agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, in connection with the advertising, packaging, labeling, promotion, offering for sale, sale or distribution of any product or service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Making any representation, directly or by implication, regarding the performance, benefits, efficacy or safety of any food, drug, or device, as those terms are defined in Section 15 of the Federal Trade Commission Act, 15 U.S.C. 55, unless at the time of making such representation respondents possess and rely upon

competent and reliable scientific evidence that substantiates the representation.

B. Making any representation, directly or by implication, regarding the performance, benefits, efficacy or safety of any product or service (other than a product or service covered under part IV.A. herein), unless at the time of making such representation respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates the representation.

V.

It is ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., and respondents' agents, representatives and employees, directly or through any partnership, corporation, subsidiary, division, or other device, in connection with inducing or seeking to induce the participation of any person in any distribution, sales, or marketing plan, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, in any manner, the past, present, or future profits, earnings, income, or sales from such participation; and

B. Representing, in any manner, directly or by implication, by use of hypothetical examples or otherwise, that distributors earn or achieve from such participation any stated amount of profits, earnings, income, or sales in excess of the average profits, earnings, income, or sales of all distributors in any time period respondents may select, unless in conjunction therewith such average profits, earnings, income, or sales are clearly and conspicuously disclosed, and the percent of all distributors who actually achieved such stated profits, earnings, income, or sales in such time period is clearly and conspicuously disclosed.

VI.

It is further ordered, That respondent Nu Skin shall:

A. Within thirty (30) days from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of its current officers, agents, representatives, employees, and distributors.

B. For a period of five (5) years from the effective date of this order deliver signed notification letter in the form set forth in Appendix A to this order to each of its future officers, agents, representatives, employees, and distributors within three (3) days after the person assumes such position. Respondent Nu Skin shall be in compliance with this subparagraph with respect to notifying future distributors if such notification letter is included in each starter kit provided to each future distributor.

C. Institute a reasonable program of continuing surveillance adequate to reveal whether the practices of each person described in part VI.A. and B. conform to the requirements of this order, and promptly investigate any complaints about any such person received by Nu Skin and maintain records of any such complaint, investigation and disposition of the complaint for five (5) years from the date of the complaint, such records to be furnished to the Commission upon request.

D. Discontinue dealing with any person described in part VI.A. and B:

1. Who engages in the acts or practices prohibited by parts I.A., II.A. or III.A. of this order; or

2. Once respondent Nu Skin has actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such person is engaged in acts or practices prohibited by any other part of this order, unless such person immediately ceases engaging in such acts or practices.

VII.

It is further ordered, That respondents CJM, Inc., CST Management, Inc., CK&C, Inc., Clara McDermott, Craig Tillotson, and Craig Bryson shall:

A. Within thirty (30) days from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of their officers, agents, representatives, employees, and present distributors, other than those persons whom Nu Skin is required to notify pursuant to part VI.A and B above.

B. For a period of five (5) years from the effective date of this order deliver a dated and signed notification letter in the form set forth in Appendix A to this order to each of their future officers, agents, representatives, employees, and distributors who are engaged in the advertising, promotion, offering for sale, sale or distribution of any food, drug, device or cosmetic within the meaning of Section 15 of the Federal Trade Commission Act, 15 U.S.C. 55, or who are engaged in any multilevel marketing plan or business, other than those persons whom Nu Skin is required to notify pursuant to part VI.A and B above, within three (3) days after the person assumes such position.

VIII.

It is further ordered, That respondents shall, within sixty (60) days after service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

IX.

It is further ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., shall notify the Federal Trade Commission at least thirty (30) days prior to any proposed change in their corporate structures, including but not limited to dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, the planned filing of a bankruptcy petition or any other corporate change, that may affect compliance obligations arising under this order.

X.

It is further ordered, That respondents Clara McDermott, Craig Tillotson, and Craig Bryson shall, for a period of five (5) years from the date this order becomes final, notify the Commission within thirty (30) days of the discontinuance of their present business or employment and of each affiliation with a new business or employment. Each notice of affiliation with any new business or employment shall include the individual respondent's new business address and telephone number, current home address, and a statement describing the nature of the business or employment and the duties and responsibilities. The expiration of the notice provision of this part X shall not affect any other obligation arising under this order.

XI.

It is further ordered, That respondents Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations, their successors and assigns, and their officers; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; Craig Bryson, individually and as an officer and director of CK&C, Inc., shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission or its staff for inspection and copying:

A. All materials which come into their possession from a distributor or any other source that were relied upon in disseminating such representation; and

B. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question such representation, or the basis relied upon for such representation, including complaints from consumers.

XII.

It is further ordered, That respondent Nu Skin, its successors and assigns, shall pay to the Federal Trade Commission, by cashier's check or certified check made payable to the Federal Trade

Commission and delivered to the Regional Director, Federal Trade Commission, 55 East Monroe Street, Suite 1437, Chicago, Illinois, the sum of one million dollars (\$1,000,000). Respondent shall make this payment on or before the tenth day following the date that this order becomes final. In the event of default on any obligation to make payment under this section, interest, computed pursuant to 28 U.S.C. 1961(a), shall accrue from the date of default to the date of payment. The funds paid by respondent shall, in the discretion of the Federal Trade Commission, be used by the Commission to provide direct redress to purchasers of the Nutriol, Face Lift, and Celltrex products. If the Federal Trade Commission determines, in its sole discretion, that redress to purchasers of these products is impracticable or otherwise unwarranted, any funds not so used shall be paid to the United States Treasury. Respondent shall be notified as to how the funds are distributed, but shall have no right to contest the manner of distribution chosen by the Commission.

XIII.

It is further ordered, That respondents CJM, Inc., CST Management, Inc., and CK&C, Inc., their successors and assigns, and their officers, and Clara McDermott, Craig Tillotson and Craig Bryson, individually and as officers and directors of said corporations, shall pay to the Federal Trade Commission, by cashier's check or certified check made payable to the Federal Trade Commission and delivered to the Regional Director, Federal Trade Commission, 55 East Monroe Street, Suite 1437, Chicago, Illinois, the sum of two hundred twenty five thousand dollars (\$225,000). The respondents shall make this payment on or before the tenth day following the date this order becomes final. In the event of default on any obligation to make payment under this section, interest, computed pursuant to 28 U.S.C. 1961(a), shall accrue from the date of default to the date of payment. The funds paid by the individual respondents shall, in the discretion of the Federal Trade Commission, be used by the Commission to provide direct redress to purchasers of the Nutriol, Face Lift, and Celltrex products. If the Federal Trade Commission determines, in its sole discretion, that redress to purchasers of these products is impracticable or otherwise unwarranted, any funds not so used shall be paid to the United States Treasury. The respondents shall be notified as to how the funds are

distributed, but shall have no right to contest the manner of distribution chosen by the Commission.

APPENDIX A

Dear Officer, Agent, Representative, Employee, Distributor:

The Federal Trade Commission ("FTC") has conducted an investigation to determine whether Nu Skin International, Inc. ("Nu Skin"), and certain of its distributors may have engaged in acts or practices which violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. Section 45, as amended, including, but not limited to, false and unsubstantiated product claims and earnings representations for Nu Skin products and distributorships. As a result of its investigation, the FTC has alleged that Nu Skin, CJM, Inc., CST Management, Inc., and CK&C, Inc., corporations; Clara McDermott, individually and as an officer and director of CJM, Inc.; Craig Tillotson, individually and as an officer and director of CST Management, Inc.; and Craig Bryson, individually and as an officer and director of CK&C, Inc., (herein collectively referred to as "respondents"), have made false and unsubstantiated representations in connection with the advertising, promotion, offering for sale, sale, and distribution of Nutriol Hair Fitness Preparation ("Nutriol"), Face Lift with Activator ("Face Lift"), and Celltrex, and the recruitment of Nu Skin distributors.

As a result of recent discussions with the FTC, the respondents have agreed to a consent order ("order") with the FTC. The order is for settlement purposes only and does not constitute an admission of violations of law by any of the respondents. Pursuant to the order, the respondents have agreed not to make certain claims for the Nutriol, Face Lift, and Celltrex products or any substantially similar products or services. In addition, the respondents have agreed not to make certain claims for any other products or services unless they can substantiate those claims. The respondents have also agreed not to make certain claims about the past or potential earnings of their distributors. Finally, the respondents are obligated by the order to discontinue dealing with any person who engages in the acts or practices prohibited by the order.

Specifically, the order prohibits the respondents from claiming that:

1. Nutriol or any substantially similar product or service (a) can or will stop, prevent, cure, relieve, reverse or reduce hair loss; (b) can or will promote the growth of hair where hair has already been lost; or (c) is as effective as, or more effective than, the prescription drug Minoxidil in the treatment of hair loss;
2. Competent and reliable data show that Nutriol or any substantially similar product or service is effective in stopping hair loss and promoting hair growth;
3. Face Lift or any substantially similar product or service (a) can or will permanently remove facial wrinkles; or (b) is as effective as, or more effective than, the prescription drug Tretinoin (currently marketed as Retin-A) in the removal of facial wrinkles; and
4. Celltrex or any substantially similar product or service will promote the healing of third degree burns.

In connection with any other product or service, the order prohibits the respondents from representing:

1. That the product or service: (a) can or will stop, prevent, cure, relieve, reverse or reduce hair loss; (ii) can or will promote the growth of hair where hair has already been lost; (iii) is as effective as, or more effective than, any other product or service in the treatment of hair loss; (iv) is as effective as, or more effective than, any other product or service in the treatment of facial wrinkles; or (v) will promote the healing of, or is otherwise an effective treatment for burns;
2. That competent and reliable data show that the product or service is effective in stopping hair loss and promoting hair growth; and
3. The efficacy of the product or service in the treatment of facial wrinkles,

unless the claim is true and, at the time of making the claim, it possesses and relies upon competent and reliable scientific evidence that substantiates the claim.

The order also prohibits the respondents from advertising, packaging, labeling, promoting, offering for sale, selling, or distributing any product that is represented as promoting hair growth or preventing hair loss, unless the product is the subject of an approved new drug application for such purpose under the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. Section 301 *et seq.*

The order also prohibits the respondents from making any representation regarding the performance, benefits, efficacy or safety of any food, drug, or device unless at the time of making such representation respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation. Similarly, the order prohibits the respondents from making any representation regarding the performance, benefits, efficacy or safety of any product or service (other than any food, drug, or device), unless at the time of making such representation respondents possess and rely upon competent and reliable evidence, which when appropriate must be competent and reliable scientific evidence, that substantiates the representation.

Finally, the order prohibits the respondents from:

1. Misrepresenting the past, present, or future profits, earnings, income, or sales of any person in any distribution, sales or marketing plan; and
2. Representing that distributors earn or achieve any stated amount of profits, earnings, income, or sales in excess of the average profits, earnings, income, or sales of all distributors unless in conjunction therewith the average profits, earnings, income, or sales are clearly and conspicuously disclosed, and the percent of all distributors who actually achieved such stated profits, earnings, income, or sales is clearly and conspicuously disclosed.

In addition to the order's prohibitions, the order requires the respondents to provide a copy of this notice to each of their current and future officers, agents, representatives, employees, and distributors. The order also requires Nu Skin to discontinue dealing with any person who makes any of the representations for Nutriol, Face Lift, Celltrex, or any substantially similar products or services, that are expressly prohibited by the order. Nu Skin must also discontinue dealing with any person who Nu Skin knows is engaged in any other acts or practices prohibited

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by the order, unless the person immediately ceases engaging in such acts or practices.

If you have any questions or would like a copy of the order, you can contact us at [].

Very truly yours,

[respondent's name]

IN THE MATTER OF

THE KEDS CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3490. Complaint, April 1, 1994--Decision, April 1, 1994*

This consent order prohibits, among other things, a Massachusetts-based manufacturer and seller of athletic and casual shoes from fixing the resale price at which any dealer may advertise or sell any Keds athletic or casual footwear item; coercing or pressuring any dealer to adopt or adhere to any resale price; attempting to secure commitments from any dealer about the resale price at which it will advertise or sell any such product; and requiring or suggesting that dealers report other dealers who advertise or sell any such product below any resale price.

Appearances

For the Commission: *Michael J. Bloom, Rhonda J. McLean and Alan B. Loughnan.*

For the respondent: *Richard E. Carlton and Darryl Libow, Sullivan & Cromwell, New York, N.Y.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, (15 U.S.C. 41 *et seq.*), and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that The Keds Corporation (hereinafter "Keds" or "respondent"), a subsidiary of The Stride Rite Corporation, has violated the provisions of Section 5 of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

PARAGRAPH 1. Respondent is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts, with its principal place of business located at Five Cambridge Center, Cambridge, Massachusetts.

PAR. 2. Respondent is now, and for some time has been, engaged in the offering for sale, sale, and distribution of athletic or casual footwear to retail dealers located throughout the United States, including many of the nation's largest retail chains.

PAR. 3. Keds maintains, and has maintained, a substantial course of business, including the acts or practices alleged in the complaint, which are in or affect commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In connection with the sale and distribution of Keds products, respondent, in combination, agreement and understanding with certain of its dealers, has engaged in a course of conduct to maintain the resale prices at which certain of its dealers sell certain of its products.

PAR. 5. The purpose, effect, tendency, or capacity of the acts and practices described in paragraph four are and have been to restrain trade unreasonably and hinder competition in the sale of athletic or casual footwear in the United States, and to deprive consumers of the benefits of competition in the following ways, among others:

(a) Prices to consumers of Keds products have been increased; and

(b) Price competition among retail dealers with respect to the sale of Keds products has been restricted.

PAR. 6. The aforesaid acts and practices constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45. These acts and practices are continuing and will continue in the absence of the relief requested.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the New York Regional Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with

violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent The Keds Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Massachusetts. The mailing address and principal place of business of respondent is: Five Cambridge Center, Cambridge, Massachusetts. Respondent is a wholly-owned subsidiary of The Stride-Rite Corporation, with its principal place of business in Cambridge, Massachusetts.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That for the purpose of this order, the following definitions shall apply:

(A) “*Keds*” or “*respondent*” means The Keds Corporation, its predecessors, subsidiaries, divisions, groups, and affiliates controlled by The Keds Corporation, and their respective directors, officers, employees, agents, and representatives, and their respective successors and assigns.

(B) “*Product*” means any athletic or casual footwear items which are manufactured, offered for sale or sold by respondent to dealers.

(C) “*Dealer*” means any person, corporation or entity not owned by The Keds Corporation or by any entity owned or controlled by Keds that in the course of its business sells any product.

(D) “*Resale Price*” means any price, price floor, minimum price, maximum discount, price range, or any mark-up formula or margin of profit used by any dealer for pricing any product. “Resale price” includes, but is not limited to, any suggested, established, or customary resale price.

II.

It is further ordered, That Keds, directly or indirectly, or through any corporation, subsidiary, division or other device, in connection with the manufacturing, offering for sale, sale or distribution of any product in or affecting “commerce” as defined by the Federal Trade Commission Act, do forthwith cease and desist from:

(A) Fixing, controlling, or maintaining, directly or indirectly, the resale price at which any dealer may advertise, promote, offer for sale or sell any product.

(B) Requiring, coercing, or otherwise pressuring any dealer, directly or indirectly, to maintain, adopt, or adhere to any resale price.

(C) Securing or attempting to secure, directly or indirectly, any commitment or assurance from any dealer concerning the resale price at which the dealer may advertise, promote, offer for sale or sell any product.

(D) Requiring, requesting or suggesting, directly or indirectly, that any dealer report the identity of other dealers who advertise, promote, offer for sale or sell any product below any resale price.

III.

It is further ordered, That, for a period of five (5) years from the date on which this order becomes final, Keds shall clearly and conspicuously state the following on any list, advertising, book, catalogue, or promotional material where it has suggested any resale price to any dealer:

ALTHOUGH THE KEDS CORPORATION MAY SUGGEST RESALE PRICES FOR PRODUCTS, RETAILERS ARE FREE TO DETERMINE ON THEIR OWN THE PRICES AT WHICH THEY WILL ADVERTISE AND SELL KEDS PRODUCTS.

IV.

It is further ordered, That, within thirty (30) days after the date on which this order becomes final, Keds shall mail by first class mail either the letter attached as Exhibit A or the letter attached as Exhibit B, together with a copy of this order, to all of Keds' directors, officers, dealers, distributors, agents, or sales representatives.

V.

It is further ordered, That for a period of two (2) years after the date on which this order becomes final, Keds shall mail by first class mail either the letter attached as Exhibit A or the letter attached as Exhibit B, together with a copy of this order, to all new directors, officers, dealers, distributors, agents, or sales representatives of Keds, within ninety (90) days of the commencement of such person's employment or affiliation with Keds.

VI.

It is further ordered, That Keds shall notify the Commission at least thirty (30) days prior to any proposed changes in Keds such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of the order.

VII.

It is further ordered, That within sixty (60) days after this order becomes final, and at such other times as the Commission or its staff shall request, Keds shall file with the Commission a verified written report setting forth in detail the manner and form in which Keds has complied and is complying with this order.

EXHIBIT A

[KEDS LETTERHEAD]

Dear Retailer:

The Federal Trade Commission has conducted an investigation into Keds' sales policies, and in particular, Keds' Suggested Retail Pricing Policy that was announced in May 1992. As you know, on June 25, 1993, Keds withdrew its Pricing Policy. Keds has always believed, and continues to believe, that its Pricing Policy did not violate the law. However, to expeditiously resolve the investigation and to avoid disruption to the conduct of its business, Keds has agreed, without admitting any violation of the law, to the entry of a consent order by the Federal Trade Commission prohibiting certain practices relating to resale prices. A copy of the order is enclosed. This letter and the accompanying order are being sent to all of our dealers, sales personnel and representatives.

The order spells out our obligations in greater detail, but we want you to know and understand the following:

1. You can sell and advertise our products at any price you choose.
2. While we may send materials to you which may contain our suggested retail prices, you are completely free to disregard these suggestions.

We look forward to continuing to do business with you in the future.

Sincerely yours,

President
The Keds Corporation

EXHIBIT B

[KEDS LETTERHEAD]

Dear Retailer:

The [name of state] Attorney General's Office, along with the offices of the Attorneys General in the other 49 states, and the Federal Trade Commission have conducted investigations into Keds' sales policies, and in particular, Keds' Suggested Retail Pricing Policy that was announced in May 1992. As you know, on June 25, 1993, Keds withdrew its Pricing Policy. Keds has always believed, and continues to believe, that its Pricing Policy did not violate the law. However, to expeditiously resolve the investigations and to avoid disruption to the conduct of its business, Keds has agreed, without admitting any violation of the law, to the entry of Final Judgments and Consent Decrees by the State of [name of state] and the Federal Trade Commission prohibiting certain practices relating to resale prices. Copies of the Final Judgments and Consent Decrees are attached. This letter and the accompanying documents have been sent to all of our dealers, sales personnel and representatives.

The Final Judgments and Consent Decrees spell out our obligations in greater detail, but we want you to know and understand the following. Under both orders:

1. You can advertise and sell our products at any price you choose.
2. While we may send materials to you which may contain our suggested retail prices, you are completely free to disregard these suggestions.

In addition, the [name of state] order requires that:

3. Keds will not take any adverse action against you because of the price at which you advertise or sell our products.

We look forward to continuing to do business with you in the future.

Sincerely yours,

President
The Keds Corporation

Complaint

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IN THE MATTER OF

MCLEAN COUNTY CHIROPRACTIC ASSOCIATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3491. Complaint, April 7, 1994--Decision, April 7, 1994*

This consent order prohibits, among other things, an association of Illinois chiropractors from entering into any agreement with any chiropractors to set fees for patients, or terms for third-party payor contracts, and requires the association to give members copies of the orders.

Appearances

For the Commission: *Mark J. Horoschak* and *Rendell A. Davis, Jr.*

For the respondent: *George R. Flynn*, Bloomington, IL.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that respondent McLean County Chiropractic Association ("respondent MCCA") has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges as follows:

PARAGRAPH 1. For purposes of this complaint, the following definitions shall apply:

A. The term "*person*" refers to both natural persons and artificial persons, including, but not limited to, corporations, unincorporated entities, and governments.

B. "*Third-party payor*" means any person that engages in the process of reimbursing for, or purchasing or paying for, health care services provided to any other person.

PAR. 2. Respondent MCCA is an unincorporated association, with its principal offices and places of business in McLean County, Illinois. For purposes of this complaint, its address is as follows: McLean County Chiropractic Association, c/o George R. Flynn, Esq., P.O. Box 3574, Bloomington, IL.

PAR. 3. Respondent MCCA has thirteen members, all of whom are chiropractors engaged in the business of providing chiropractic services to patients for a fee. Those members all have their offices in McLean County, Illinois. Except to the extent that competition has been restrained as herein alleged, those members have been and are now in competition among themselves and with other chiropractors, with respect to the provision of chiropractic services in McLean County, Illinois, and its vicinity.

PAR. 4. The general business practices of MCCA's members, and the acts and practices described below, affect the interstate movement of patients, the interstate purchase of supplies and products, and the interstate flow of funds, and are in or affect commerce within the meaning of Section 5(a)(1) of the Federal Trade Commission Act, 15 U.S.C. 45(a)(1).

PAR. 5. Respondent MCCA has acted as a combination of its members, has conspired with at least some of its members, and has acted to implement an agreement among its members to restrain competition among chiropractors by, among other things, facilitating, entering into, and implementing an agreement, express or implied:

A. That respondent MCCA would set the maximum fees to be sought by its members from patients and third-party payors; and

B. That respondent MCCA would negotiate the terms and conditions of agreements between its members and third party payors, including the fees to be paid for the members, services.

PAR. 6. By engaging in the acts or practices described in paragraph five, respondent MCCA has acted as a combination of at least some of its members, and has combined or conspired with at least some of its members, to fix or affect the fees charged by, or otherwise to restrain competition among, chiropractors in McLean County, Illinois, and its vicinity.

PAR. 7. Respondent MCCA has engaged in various acts and practices in furtherance of this combination or conspiracy, including, among other things:

A. Periodically voting to raise the maximum allowable charges that its members may charge patients and third party payors for the provision of chiropractic services; and

B. Attempting to negotiate collectively on behalf of its members the terms and conditions of agreements between its members and third-party payors, including the fees to be paid by those payors for the services of its members.

PAR. 8. Respondent MCCA's activities described in paragraphs five through seven have had, or have the tendency and capacity to have, the following effects, among others:

A. Restraining competition among chiropractors in McLean County, Illinois, and its vicinity;

B. Fixing or affecting the fees that chiropractors in McLean County, Illinois, and its vicinity charge for their services; and

C. Depriving consumers of chiropractic services and third-party payors of the benefits of competition among chiropractors in McLean County, Illinois, and its vicinity.

PAR. 9. The combination or conspiracy and the acts and practices described in paragraphs five through seven constitute unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45. Respondent MCCA's combination or conspiracy, or the effects thereof, is continuing and will continue in the absence of the relief herein requested.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not

constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order.

1. Respondent is an unincorporated association, with its principal offices and places of business in McLean County, Illinois. For purposes of this order, its address is as follows: McLean County Chiropractic Association, c/o George R. Flynn, Esq., P.O. Box 3574, Bloomington, IL.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That for purposes of this order, the following definitions shall apply:

A. "*Respondent MCCA*" means McLean County Chiropractic Association and its Board of Directors, committees, officers, representatives, agents, employees, successors, and assigns.

B. "*Payor*" means any person that purchases, reimburses for, or otherwise pays for health care services for themselves or for any other person -- including, but not limited to, health insurance companies; preferred provider organizations; prepaid hospital, medical, or other health service plans; health maintenance organizations; government health benefits programs; employers or other persons providing or administering self-insured health benefits programs; and patients who purchase health care for themselves.

C. “*Integrated joint venture*” means a joint arrangement to provide health care services in which all chiropractors participating in the venture who would otherwise be competitors (1) pool their capital to finance the venture, by themselves or together with others, and (2) share a substantial risk of loss from their participation in the venture.

D. “*Case fee*” means the aggregate total of all fees charged to a patient for the full course of treatment for a medical condition or combination of medical conditions. “Case fee” does not mean a fee charged for a particular product or service.

II.

It is further ordered, That respondent MCCA directly or indirectly, or through any device, in connection with activities in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, as amended, do forthwith cease and desist from:

A. Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any chiropractors or among any chiropractors, to discuss or collectively determine the fees which chiropractors charge to payors; and

B. Entering into, attempting to enter into, organizing, continuing, or acting in furtherance of any agreement or combination, express or implied, with any chiropractors or among any chiropractors, to deal with payors on collectively determined terms.

Provided that, nothing in this order shall prevent chiropractors who practice together as partners or employees in the same professional corporation or partnership from collectively determining the fees to be charged for services provided by that professional corporation or partnership or from collectively determining other terms on which that professional corporation or partnership deals with payors.

Further provided that, nothing in this order shall prevent chiropractors who participate in the same integrated joint venture from collectively determining the fees to be charged for services provided by that integrated joint venture or from collectively determining other terms on which that integrated joint venture deals with payors.

Further provided that, nothing in this order shall prevent respondent MCCA from collecting historical data concerning case fees for the purpose of providing such data to payors.

III.

It is further ordered, That respondent MCCA:

A. File a written report with the Commission within ninety (90) days after the date when the order becomes final, and annually for three (3) years on the anniversary of the date when the order becomes final, and at such other times as the Commission may by written notice to respondent MCCA require, setting forth in detail the manner and form in which it has complied and is complying with the order.

B. For a period of five (5) years after the date when the order becomes final, maintain and make available to Commission staff, for inspection and copying upon reasonable notice, records adequate to describe in detail any action taken in connection with the activities covered by parts II and III of this order, including, but not limited to, all documents generated by respondent MCCA or that come into its possession, custody, or control, regardless of source, that discuss, refer, or relate to any fee, term, or condition of any agreement, actual or proposed, with any payor.

C. Distribute by first-class mail a copy of this order to each of its members within thirty (30) days after the date when the order becomes final.

D. For a period of five (5) years after the date when the order becomes final, provide each new MCCA member with a copy of this order at the time the member is accepted into membership.

E. Notify the Commission, at least thirty (30) days prior to any proposed change to respondent MCCA which may affect compliance with this order -- including, but not limited to, dissolution or the emergence of a successor.

CONCURRING STATEMENT OF ROSCOE B. STAREK, III

I concur in the Commission's decision to issue the consent order in this matter. The conduct at issue seems to fall squarely within the Supreme Court's broad *per se* proscription against horizontal

agreements on maximum prices, set forth in *Arizona v. Maricopa County Medical Society*.¹

I am nonetheless somewhat skeptical about whether an inflexible pursuit of enforcement actions against such conduct is a beneficial use of the Commission's limited resources. The underlying logic of a *per se* ban on an activity is that the costs of the activity are so high, and the benefits so slight (and so costly to identify), that society's interests are best served through the application of a simple enforcement rule.

In the case of agreements on maximum prices, it is not obvious to me that this logic applies.² Agreements to set maximum prices may not restrict output in all contexts. Moreover, I am unpersuaded that the benefits from such agreements are necessarily negligible and difficult to assess in individual cases.³

I am confident that we can distinguish beneficial uses of these agreements from pernicious uses, particularly in health care markets. I think it unwise to issue blanket condemnations of arrangements that may merely represent socially desirable responses to the competitive pressures increasingly faced by health care providers to reduce costs.⁴ In the exercise of the Commission's prosecutorial discretion, application of the truncated rule of reason approach of Massachusetts Board of Registration in Optometry⁵ may yield substantial future benefits.

¹ 457 U.S. 332, 348 (1982) ("[H]orizontal agreements to fix maximum prices [are] on the same legal -- even if not economic -- footing as agreements to fix minimum or uniform prices.")

² See Frank H. Easterbrook, *Maximum Price Fixing*, 48 U. Chi. L. Rev. 886, 887 (1981) ("[M]aximum price fixing is almost always beneficial to consumers and . . . the time has come to abandon any *per se* rule against the practice.").

³ It is not hard to identify plausible benefits from such agreements, particularly when used in health care markets. Publication of a maximum fee schedule could help consumers search for a practitioner on the basis of price -- a task that historically has been difficult in health care markets because of the paucity of price information. Similarly, the fee schedule may be a low-cost means by which signatory practitioners can market themselves to third-party payers. But see *Maricopa*, 457 U.S. at 354-55 (rejecting argument that the fixing of maximum reimbursable fees was procompetitive).

⁴ One unintended consequence of current policy may be to induce producers who wish to coordinate pricing behavior to integrate, even if the integration is not otherwise efficient and the less restrictive contractual alternative is procompetitive or competitively neutral. This seems analogous to one consequence of the historically unfavorable antitrust policy toward vertical restraints -- that producers integrate into distribution because integration enjoys more favorable treatment under the law than do less restrictive vertical agreements. In situations in which an agreement would have enhanced interbrand competition, forcing integration to obtain these benefits may be counterproductive.

⁵ 110 FTC 549, 604 (1988).

IN THE MATTER OF

ARCHER DANIELS MIDLAND COMPANY

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3492. Complaint, April 12, 1994--Decision, April 12, 1994*

This consent order prohibits, among other things, an Illinois-based firm from making any claims, unless substantiated by competent and reliable scientific evidence, that any of its products or plastic product additives is degradable, biodegradable, or photodegradable when disposed of in sanitary landfills, or that such products or additives offer any environmental benefit compared to other products when disposed of as trash buried in a sanitary landfill or incinerated.

Appearances

For the Commission: *Michael Dershowitz* and *C. Lee Peeler*.

For the respondent: *Scott Roberts*, in-house counsel, Decatur, IL.

COMPLAINT

The Federal Trade Commission, having reason to believe that Archer Daniels Midland Company, a corporation, hereinafter sometimes referred to as respondent, has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent Archer Daniels Midland Company ("ADM") is a Delaware corporation with its office and principal place of business located at 4666 Faries Parkway, Decatur, Illinois.

PAR. 2. Respondent has advertised, offered for sale, sold, and distributed its cornstarch plastic additive product for use in such consumer plastic products as grocery bags, lawn and trash bags, and disposable diapers, under the trade names "ADM Master Batch" and "Polyclean."

PAR. 3. The acts or practices of respondent alleged in this complaint have been in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondent has disseminated or has caused to be disseminated television broadcast advertisements, radio advertisements, and promotional materials for its cornstarch plastic additive product, including, but not necessarily limited to, the attached Exhibits A through F.

An aforesaid television advertisement (Exhibit A -- photo board) contains the following claims, among others:

Plastic: Durable, versatile, economical, functional. And now, thanks to a special corn starch that starts breaking the plastic down in just a matter of months, ... biodegradable. ADM. Supermarket to the world.

ENVIRONMENTALLY FRIENDLY.

Exhibit A visually depicts plastic products being thrown away into a trash barrel and then disappearing.

Another television advertisement (Exhibit B -- photo board) contains the following claims, among others:

Plastic: Durable, versatile, economical, functional. And now, thanks to a special corn starch that breaks it down to humus in approximately two years, ... degradable. ADM. Supermarket to the world.

ENVIRONMENTALLY FRIENDLY.

Exhibit B visually depicts plastic products being thrown away into a trash barrel and then disappearing.

Another television advertisement (Exhibit C -- description of the video with a transcription of the audio) contains the following claims, among others:

The plastic we throw away today will still be here three to four hundred years from now. And Americans throw away ten billion pounds of it -- enough to build a mountain as high as Pike's Peak every year. Fortunately, an answer already exists. It's a special corn starch that causes plastic to begin to degrade in as little as six months. Giving us something else to leave the people of the future besides our plastic.

This television advertisement depicts mounds of plastic being added to the trash in a landfill.

Another television advertisement (Exhibit D -- description of the video with a transcription of the audio) contains the following claims, among others:

The plastic you throw away today will still be here three to four hundred years from now. And Americans throw away 10 billion pounds of it every year. That's the bad news. Now the good news. Recently a special corn starch was introduced that causes plastic to begin to degrade in as little as six months. Isn't it funny how a little bit of good news can make the bad news just disappear?

This television advertisement depicts plastic products being thrown away into a trash barrel and then disappearing.

An aforesaid radio advertisement (Exhibit E -- transcript) contains the following claims, among others:

Last year, America produced 3 times as much plastic as it did just 20 years ago. And while plastics are certainly convenient and economical, it can take hundreds of years for them to degrade. In landfills that are already filled to overflowing. Which is why a new product from ADM holds such promise. It's a special corn starch additive that when added to plastic, causes it to start breaking down in just a matter of months. Grocery bags, lawn and trash bags, even disposable diapers made with this new biodegradable technology are available right now.

An aforesaid piece of promotional material (Exhibit F) contains the following claims, among others:

ADM Master Batch greatly speeds up the degradation process.

Buried in a sanitary landfill, polyethylene film will last indefinitely. Preliminary studies indicate that polyethylene films made with ADM Master Batch, on the other hand, will degrade in just six months to two years.

PAR. 5. Through the statements referred to in paragraph four and others in advertisements not specifically set forth herein, respondent has represented, directly or by implication, that:

1. Compared to other plastic products, plastic products containing ADM's cornstarch additive offer a significant environmental benefit when consumers dispose of them as trash that is buried in a landfill.

2. A few months after disposal as trash in a landfill, plastic products containing ADM's cornstarch additive will begin to break

down, biodegrade, and then disappear in a reasonably short period of time.

3. Plastic products containing ADM's cornstarch additive will break down, biodegrade, and disappear significantly faster than other plastic products after consumers dispose of them as trash that is buried in landfills.

4. Plastic products containing ADM's cornstarch additive will degrade in a landfill in a short enough period of time to significantly reduce the amount of garbage in landfills.

PAR. 6. Through the statements referred to in paragraph four in promotional material (Exhibit F), and others in promotional materials not specifically set forth herein, respondent has represented, directly or by implication, that plastic products containing ADM's cornstarch additive will degrade in a landfill in six months to two years, while other plastic products will last indefinitely in a landfill.

PAR. 7. Through the statements and representations referred to in paragraphs five and six, respondent has represented, directly or by implication, that at the time it made such representations, respondent possessed and relied upon a reasonable basis for such representations.

PAR. 8. In truth and in fact, at the time respondent made the representations referred to in paragraphs five and six, respondent did not possess and rely upon a reasonable basis for such representations. Therefore, the representation set forth in paragraph seven was, and is, false and misleading.

PAR. 9. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in/or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

Commissioner Starek not participating

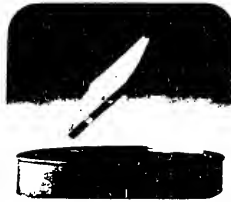
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Complaint

EXHIBIT A

Vanishing Act

An ADM commercial introducing the benefits of a new degradable plastic technology.



ANNCR Plastic.

Durable,



versatile,



economical,



functional



And now, thanks to a special corn starch that



starts breaking the plastic down in just a matter of months,



biodegradable
ADM Supermarket to the world

See this and other ADM commercials each Sunday on "Meet the Press" (NBC), "This Week with David Brinkley" (ABC), and "Face the Nation" (CBS).



ARCHER DANIELS MIDLAND COMPANY

Complaint

117 F.T.C.

EXHIBIT B

An ADM commercial introducing the benefits of a new degradable plastic technology.



ANNCR: Plastic.



Durable,



versatile,



economical,



functional.



And now, thanks to a special corn starch that



breaks down to humus in soil in just two years.



degraded 2

See this and other ADM commercials each Sunday on "Meet the Press" - NBC, "This Week with David Brinkley" - ABC, and "Face the Nation" - CBS.



ARCHER DANIELS-MIDLAND COMPANY

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Complaint

EXHIBIT C

TELEVISION MW JOB NO ADC-8021-B Rev. #9
 STATION QADM8012
 PROGRAM "Monuments of the Past"
 CLIENT ADM Corporate
 TIME :60

AS PRODUCED:

VIDEO

SHOW A SERIES OF MONU-
 MENTS OF THE PAST. (SPHINX,
 PARTHENON, TAJ MAHAL,
 EILFFEL TOWER AND GREAT
 WALL OF CHINA.)

CAMERA PANS "MOUNTAINS"...

WE HEAR A BULLDOZER &
 SUDDENLY SEE HUGE MOUND
 OF PLASTICS BEING ADDED TO
 THIS "MOUNTAIN."

SUN BURSTS OVER PIKE'S
 PEAK

PAN OVER MOUNTAINS.

BEAUTIFUL MOUNTAIN LAKE
 WITH FLY FISHERMAN.
 LOGO SUPER

AUDIO

ANNCR: If a civilization is remem-
 bered for the monuments it leaves to
 the future, what will we be remem-
 bered for?

The plastic we throw away today
 will still be here three to four
 hundred years from now.

And Americans throw away ten
 billion pounds of it--enough to build
 a mountain as high as Pike's Peak
 every year.

Fortunately, an answer already
 exists. It's a special corn starch that
 causes plastics to begin to degrade in
 as little as six months.

Giving us something else to leave
 the people of the future besides our
 plastic.

Complaint

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EXHIBIT D

TELEVISION MW

JOB NO ADC-8037-B Rev. #7
STATION QADM8011
PROGRAM "Good News"
CLIENT ADM Corporate
TIME :30

AS PRODUCED:

VIDEO

POLYETHYLENE MATERIALS
FALLING SLO-MO INTO
BARREL.

MORE AND MORE MATERIALS
FALLING.

THEY OVERFLOW INTO A
HEAP.
THE "HEAP" DISSOLVES.

ONLY THE BARREL REMAINS.

LOGO: SUPERS

AUDIO

ANNCR: The plastic you throw
away today will still be here three to
four hundred years from now.

And Americans throw away 10.
billion pounds of it every year.

That's the bad news.

Now the good news.

Recently a special corn starch was
introduced that causes plastic to
degrade in as little as six months.

Isn't it funny how a little bit of good
news can make the bad news just
disappear?

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Complaint

EXHIBIT E

RADIO MW

JOB NO ADC-9021-B6 Rev. #6
STATION ADC9049
PROGRAM Degradable Plastic-
"Plastics"
CLIENT ADM Corporate
TIME :60

FOR RECORDING

ANNCR: In the 1967 film, "The Graduate," Dustin Hoffman was given some shrewd career-planning advice. In a word, "plastics."

ANNCR: How prophetic that advice turned out to be. Last year, America produced 3 times as much plastic as it did just 20 years ago. And while plastics are certainly convenient and economical, it can take hundreds of years for them to degrade. In landfills that are already filled to overflowing. Which is why a new product from ADM holds such promise. It's a special corn starch additive that when added to plastic, causes it to start breaking down in just a matter of months. Grocery bags, lawn and trash bags, even disposable diapers made with this new biodegradable technology are available right now. And with other products on the way, the future of plastics appears brighter than ever.

ANNCR: The Archer Daniels Midland Company. Supermarket to the world.

Complaint

117 F.T.C.

EXHIBIT F

NOW THE OPPORTUNITY EXISTS TO PRODUCE DEGRADABLE POLYETHYLENE WITH ADM MASTER BATCH.

For instance, ADM Master Batch with your polyethylene can produce polyethylene films that are degradable.

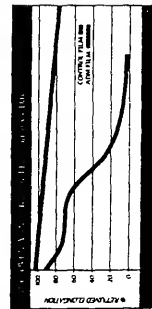
ADM Master Batch works with ADM Master Batch with grade regardless of how fast it is deposited in the soil, above ground or in water. And the break down rate can be varied with different additive levels.

ADM Master Batch works through conventional oxidative and biological action, biodegradation, and photolysis. ADM Master Batch, in the soil or water, attacks the sun and diesel at 15th Avenue cause the film to be all in place.

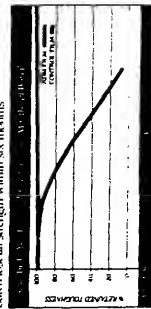
ADM Master Batch greatly speeds up the degradation process.

Based on a summary of landfill polyethylene film will last 100 to 150 years. Preliminary studies indicate that polyethylene films made with ADM Master Batch, on the other hand, will degrade in 10 to 15 years. ADM Master Batch, when properly stored, has a much longer life span than most products. See charts on right for details.

The addition of the polyethylene may vary with light temperature, soil conditions and the amount of ADM Master Batch in the film.



Degradation due to oxidative action. Low density polyethylene film containing ADM Master Batch lost all elongation after 20 days in laboratory oven—equivalent to about two years at room temperature (25° C).



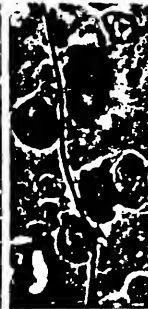
Degradation in soil. LDPE film containing ADM Master Batch lost all strength within six months.



Conventional low density polyethylene film without ADM Master Batch immersed 14 days in activated sludge at 20°C. (Low density polyethylene film without ADM Master Batch immersed 14 days in activated sludge at 20°C. (Magnified magnified 50X.)



LDPE film with ADM Master Batch immersed 14 days in activated sludge at 20°C. (Low density polyethylene film with ADM Master Batch immersed 14 days in activated sludge at 20°C. (Magnified magnified 50X.)



LDPE film with ADM Master Batch immersed 14 days in activated sludge at 20°C. (Low density polyethylene film with ADM Master Batch immersed 14 days in activated sludge at 20°C. (Magnified magnified 50X.)

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent Archer Daniels Midland Company is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware. Archer Daniels Midland Company has its offices and principal place of business at 4666 Faries Parkway, Decatur, Illinois.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

"*Archer Daniels Midland product*" means any plastic product or any plastic product that contains the plastic product additive defined below, that is advertised, offered for sale, sold, or distributed to the public by respondent, its successors and assigns; and also means any plastic product or any plastic product that contains the plastic product additive defined below, that is offered for sale, sold, or distributed to the public by third parties under private labeling agreements with respondent, its successors and assigns.

"*Plastic product additive*" means "Polyclean," "ADM Master Batch," or any other ingredient added to plastic that is advertised, offered for sale, sold, or distributed to the public by respondent, its successors and assigns; and also means any such ingredient that is offered for sale, sold, or distributed to the public by third parties under licensing or other agreements with respondent, its successors and assigns.

I.

A. *It is ordered*, That respondent Archer Daniels Midland Company, a corporation, its successors and assigns and its officers, and respondent's representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, by words, depictions, or symbols:

(1) That any Archer Daniels Midland product or plastic product additive is "degradable," "biodegradable," or "photodegradable" when disposed of in a sanitary landfill; or,

(2) Through the use of such terms as "degradable," "biodegradable," "photodegradable," or any substantially similar term or

expression, that any such product or any such product containing such additive offers any environmental benefit compared to other products when consumers dispose of them as trash that is buried in a sanitary landfill or incinerated,

unless at the time of making such representation, respondent possesses and relies upon a reasonable basis, consisting of competent and reliable scientific evidence that substantiates such representation. To the extent such evidence of a reasonable basis consists of scientific or professional tests, analyses, research, studies, or any other evidence based on expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if those tests, analyses, research, studies, or other evidence are conducted and evaluated in an objective manner by persons qualified to do so, and using procedures generally accepted in the profession to yield accurate and reliable results.

B. Provided, however, respondent will not be in violation of this order, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive, if it truthfully represents that such products or such additives are designed to degrade or break down and become part of usable compost, when disposed of in programs or facilities that collect yard waste or municipal solid waste for composting (that is, the accelerated breakdown of waste into soil-conditioning material), provided that the labeling of such products or such additives and any advertising referring to the degradability of such products or such additives discloses clearly, prominently, and in close proximity to such representation:

(1) That such products are not designed to effectively degrade in landfills; and further discloses

(2)(a) In the case of products designed to be disposed of in yard waste composting programs, that such programs may not be available in the consumer's area; or, in the case of products designed to be disposed of in municipal solid waste composting facilities, that such facilities are generally unavailable in the U.S., or

(2)(b) Depending upon whether the product is designed to be disposed of in yard waste composting programs, or municipal solid waste composting facilities, the approximate percentage of the U.S.

population having access to yard waste composting programs, or having access to municipal solid waste composting facilities.

Provided further, that the disclosures contained in (2)(a) and (2)(b) above need not be made in advertising or on product labels if such products or additives are distributed and advertised only to consumers residing in areas served by yard waste composting programs or municipal solid waste facilities (*e.g.*, Southeastern Oakland County Resource Recovery Authority (SOCRRA) composting program).

For purposes of this provision, a disclosure elsewhere on the product package shall be deemed to be "in close proximity" to such terms if there is a clear and conspicuous cross-reference to the disclosure. The use of an asterisk or other symbol shall not constitute a clear and conspicuous cross-reference. A cross reference shall be deemed clear and conspicuous if it is of sufficient prominence to be readily noticeable and readable by the prospective purchaser when examining the principal display panel of the package. The principal display panel of the package is that part of the package that faces the consumer when presented under normal and customary conditions of display for retail sale.

If the advertising and labeling of any Archer Daniels Midland product or plastic product additive otherwise complies with Subpart A of Part I of this order, respondent will not be in violation of this order if it does not make the disclosures in this proviso (Subpart B).

II.

It is further ordered, That respondent Archer Daniels Midland Company, a corporation, its successors and assigns, and its officers, and respondent's representatives, agents, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, labeling, offering for sale, sale, or distribution of any Archer Daniels Midland product or plastic product additive in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, by words, depictions, or symbols, that any Archer Daniels Midland product or plastic product additive is "Environmentally Friendly" or offers any environmental benefit, unless at the time of making such representation, respondent

possesses and relies upon a reasonable basis, consisting of competent and reliable evidence that substantiates such representation. To the extent such evidence of a reasonable basis consists of scientific or professional tests, analyses, research, studies, or any other evidence based on expertise of professionals in the relevant area, such evidence shall be "competent and reliable" only if those tests, analyses, research, studies, or other evidence are conducted and evaluated in an objective manner by persons qualified to do so, and using procedures generally accepted in the profession to yield accurate and reliable results.

III.

Nothing in this order shall prevent respondent from using any of the terms cited in Parts I and II, or substantially similar terms or expressions, if necessary to comply with any federal rule, regulation, or law governing the use of such terms in advertising or labeling.

IV.

It is further ordered, That for three (3) years from the date that the representations to which they pertain are last disseminated, respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All materials relied upon to substantiate any representation covered by this order; and

B. All tests, reports, studies, surveys, or other materials in its possession or control that contradict, qualify, or call into question such representation or the basis upon which respondent relied for such representation.

V.

It is further ordered, That respondent shall distribute a copy of this order within sixty (60) days after service of this order upon it to each of its operating divisions and to each of its officers, agents, representatives, or employees engaged in the preparation and placement of advertisements or other such sales materials covered by this order.

VI.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporation, such as a dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations under this order.

VII.

It is further ordered that respondent shall, within sixty (60) days after service of this order upon it, and at such other times as the Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

Commissioner Starek not participating.